

**REVIEW THE IMPLEMENTATION OF THE
CONSERVATION TITLE OF THE FARM
SECURITY AND RURAL INVESTMENT
ACT OF 2002**

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT,
RURAL DEVELOPMENT, AND RESEARCH

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

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**REVIEW THE IMPLEMENTATION OF THE CON-
SERVATION TITLE OF THE FARM SECURITY
AND RURAL INVESTMENT ACT OF 2002**

TUESDAY, JUNE 15, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION, CREDIT,
RURAL DEVELOPMENT, AND RESEARCH,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 11:00 a.m., in room 1300 of the Longworth House Office Building, Hon. Frank D. Lucas (chairman of the subcommittee) presiding.

Present: Representatives Moran, Osborne, Putnam, Burns, King, Goodlatte [ex officio], Holden, Case, Peterson, Etheridge, Marshall, and Stenholm [ex officio].

Also present: Representative Neugebauer,

Staff present: Ryan Weston, subcommittee staff director; Dave Ebersole, Callista Gingrich, clerk; Claire Folbre, Jen Daulby, and Anne Simmons.

**STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OKLAHOMA**

Mr. LUCAS. This hearing of the Subcommittee on Conservation, Credit, Rural Development, and Research to review implementation of the farm bill conservation programs will now come to order.

It has been slightly over 1 year since we convened our last conservation hearing, here in the Nation's capital, and I have heard many positive comments on overall implementation thus far, but I have also heard comments that concern me. While this an oversight hearing, and at time, we may sound a bit critical on certain points, I want to state unequivocally that the farm bill's conservation programs are a phenomenal success.

The infusion of funds provided by the farm bill has led to the largest voluntary programs in the Nation's history, and while we had hoped that we would be able to ease the backlog in most programs, by the third year of the farm bill, I think it is fair to say that we are only seeing increased interest among producers. How we go about ensuring producer expectations are met is of the utmost importance to me. These are voluntary producer programs, and at the end of the day, the programs must work for producers and provide appropriate environmental benefits. This hearing will allow Members to discuss many of their conservation programs.

The Senate recently held a conservation hearing. That hearing discussed in great detail the Conservation Security Program, CSP. I expect a great deal of discussion on that topic today. However, other programs are going to garner a great deal of attention, too. I have seen many comments on the Department's proposed rule for CSP. Many of those comments point out that CSP is supposed to be a nationwide program, and while that is the way the program was written and funded originally, Congress placed a \$41 million cap on the program for fiscal year 2004. There is no way the new program can be implemented nationwide and allow all producers to participate for \$41 million.

I think that we have placed the Department in an interesting predicament. They must implement a capped program this year, and then possibly be prepared to implement an uncapped program next year. Therefore, I feel it is important to keep comments regarding CSP constructive and relevant to what can occur as required by the current law.

We must also look forward to future spending. My biggest concern with CSP is not the current law, because CSP in one form or another will most likely continue to grow dramatically in the next 5 years. My concern is that we have no idea how much CSP will ever cost in its uncapped form. In the farm bill, it was scored at \$2 billion, and yet less than 1 year later, it was scored at \$6.8 billion over a 10-year period. And now, even with the limited enrollment proposed by the Department, we are talking about numbers totaling \$13 billion. However, from what I can tell, many people are guessing that the program could easily cost between \$5 and \$10 billion per year, once fully implemented.

Now, why is this important? Two reasons, scoring and the perception of green payments. From the scoring perception, we are constantly pointing out that we are saving billions of dollars under the commodity title because of good market prices. If we turn around and start having much higher expenditures than expected in conservation, then we are not truly having any net savings. I don't want to have accurate scores for our programs. And I am not criticizing the scores, because I realize how difficult it is to figure costs for these programs. However, the conservation programs do not fluctuate based on market prices, only participation. We may need to write the programs in a more straightforward manner, to take away some of the scoring uncertainties.

I have dropped a bill to make the Environmental Qualities Incentive Program, EQIP, an entitlement in order to see if it would be a good value for producers and taxpayers. I have done this because the buzzword in many agricultural circles is green payments, and we need to accurately know what they cost. The recent World Trade Organization decision regarding U.S. cotton subsidies have led many people to believe that green payments are the wave of the future. They may be right.

However, I would like for everyone to slow down for a moment, and consider a few things. First, the appeals process is long and arduous. Second, the next case in the WTO involves the EU sugar program. I tend to believe that if the U.S. and EU are to consider rewriting their commodity titles, it must be by a sound and methodical process. The G90 countries are not going simply to let us

transfer commodity payments to green payments. Their concerns are not only the amount of money spent on subsidies, but also the total amount spent on agriculture. The EU is currently spending much more on commodity payments than the United States, between \$40 to \$50 billion per year, versus \$19 in the United States.

Also, green payments are defined differently in the EU than in the United States. In the EU's common agricultural policy reform, it will be placing an emphasis on commodity and green payments in 2005. They plan to link commodity payments to certain conservation standards. If the member countries decide that the producers are not meeting these standards, then the payments will be reduced or cut completely. This means that commodity and conservation programs are going to be compulsory. This has never, never been the case in the U.S., except on highly erodible lands. U.S. programs are voluntary. Because this is such an important issue, I am working with the Congressional Research Service to make sure that we are able to get a report to Members, so that they will be able to communicate to producers the differences between U.S. and EU programs.

We also need to once again bring up the issue of technical assistance. We are again faced with the unfortunate possibility of EQIP and WHIP and Farmland Protection and GRP being used to fund technical assistance for CRP and WRP. There is language that would fix the funding system in the current budget passed by the House. Hopefully, the Senate will pass the budget, and we can simply write some language to ensure the technical assistance is done in a fair manner. If the budget is not passed, we will consider locking all of the stakeholders in a room for two or three days until we come up with some language that fixes technical assistance issues for once and for all. That may be what we have to do.

Also regarding technical assistance, as the programs ramped up, I was expecting the percentage of technical assistance per program to decrease dramatically. For example, EQIP is supposed to be funded at around \$1 billion this year. USDA has been using about 25 percent, or \$250 million of those funds, for technical assistance. If this could be cut, say, by 15 percent, producers would get another \$100 million in financial assistance. All means should be taken to get technical assistance costs down. The Technical Service Provider program may be in place where this can be addressed.

And finally, the Small Watershed Program, near and dear to me as an Oklahoman, I have not been thrilled at all with the way the proposed cuts by the administration, or the actual cuts levied by the appropriators. And I will be checking with our witnesses to see how this program is progressing.

And I certainly look forward to hearing from all of our witnesses today, and I turn to the ranking member, Mr. Holden, for any opening comments he might offer.

OPENING STATEMENT OF HON. TIM HOLDEN, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. HOLDEN. Thank you, Mr. Chairman, and thank you for holding this very important hearing this morning.

All of us on this committee worked very hard during the farm bill to enhance conservation on working lands, and to secure the funding to do so, and we need to make sure that those programs are implemented and funded as we intended.

The conservation title of the 2002 farm bill represents a record commitment by the Federal Government to the sustainability of domestic agriculture. We funded the most significant programs in order to preserve farmland and improve water quality and soil conservation on working lands. We addressed environmental concerns and sought to make conservation a cornerstone of agriculture for producers in all regions of the country.

It is unfortunate that we are now witnessing a decrease in financial assistance for key programs we worked so long and hard on. During the farm bill debate, one of the major issues discussed was the regional inequity of farm bill programs. As a Member from Pennsylvania and the Northeast, most farmers in that region do not benefit from traditional agriculture programs. They simply do not grow traditional crops. Conservation programs offered them a way to stay in agriculture.

The substantial increases in EQIP and the Farm and Ranchland Protection programs were a signal to those regions that as we approach this turning point in agriculture, we are not going to relive the unfair practices of past programs. If the problem seems to be the same as it was in June of last year, when we held a similar hearing. It appears that producers of nontraditional crops are still not receiving the interaction with USDA or even the information about the programs available to them that was intended when we passed the farm bill.

Another major issue that has yet to be resolved is how to fund our technical assistance for conservation programs, as the Chairman mentioned. Our intent was to allow for farm bill programs to pay for themselves. However, due to different interpretations of the law, and Congressional rewriting, we are now in a situation in which major programs are paying for other programs. While the final numbers for fiscal year 2003 are better than the initial ones for donor program technical assistance, there are still significant contributions being made by EQIP, Farmland Protection, WHIP, GRP.

EQIP donated \$57.6 million. Farmland Protection donated \$18 million, Grassland Reserves, \$9.5 million. These donations continue to inhibit the implementation of these effective programs in the way Congress intended. We must make sure implementation reflects our intent. It was never our intent to have key conservation programs act as donors for others. We need to correct this problem as soon as possible, and I hope that the groups represented here today can help us find a fair and equitable solution, and I look forward to hearing the testimony of our panels today.

Mr. Chairman, I am going to excuse myself briefly for a Pennsylvania delegation meeting, and hope to be back in about 15 minutes. And thanks again for having this hearing.

Mr. LUCAS. The Chair thanks the ranking member for his comments, and looking at the nature of three panels, and the very substantial panels in each, would request that the other Members submit their opening statements for the record, so the witnesses can

begin their testimony, to ensure that we have ample time for questions.

[The prepared statements of Mr. Stenholm and Mr. Neugebauer follow:]

PREPARED STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Thank you, Chairman Lucas, for holding this hearing to continue to review implementation of the conservation title of the 2002 farm bill.

You and Ranking Member Holden are to be commended for the work you did during the farm bill on the conservation title and now as you continue to monitor USDA's work in carrying out Congress' intentions.

As I've mentioned before, the farm bill has been opened by the limitations imposed by the Appropriations Committee because of the limitations placed on them by our current budget situation. These limitations have had an impact on our ability to deliver on the promises we made when we passed the 2002 farm bill.

I have some statistics that I like to use to point out that while we've come a great distance by making the 2002 farm bill one of the most generous ever to conservation spending, we could still do better.

As most of you in this room are aware, 70 percent of the land in the lower 48 States is in private ownership, yet the annual spending for conservation on private lands is dwarfed by what we spend on public lands. In 2004, we spent almost \$3.40 an acre through USDA's conservation programs on private lands, yet the various agencies involved in managing public lands spent nearly \$19.60 an acre.

In 1937, we spent \$463 million for financial and technical assistance from USDA. In 1999 dollars that would be \$5.3 billion and in 2004 dollars, \$6 billion.

In 1999, the spending for conservation programs outside of CRP and WRP was \$1.2 billion, for fiscal year 2004, the estimate is \$2.4 billion.

So while we have come a long ways in many areas, we are still behind in other ways, as evidenced by these figures and what we'll hear from the witnesses today.

PREPARED STATEMENT OF HON. RANDY NEUGEBAUER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for holding this hearing to review implementation of the conservation title of the 2002 farm bill and allowing me to join your subcommittee today. This farm bill significantly increased conservation programs and cost-sharing opportunities available to producers, and USDA has worked hard to implement the changes.

Texas producers participating in the Conservation Reserve Program were pleased the new law gives them the option of managed haying and grazing on their CRP land. Producers who choose to hay or graze on their CRP land also agree to a reduced CRP payment.

For the past few years, much of Texas has experienced severe drought that has diminished the quality of forages. Producers facing dry conditions have been helped by being able to graze on their CRP land. However, producers are also telling me that maintaining flexibility in this program is essential for its effectiveness.

Texas producers want to continue to have flexibility in the days they graze. Last year, producers were allotted 120 days for haying and grazing that they could use any time outside of the nesting season, which runs from March 1 until July 1. Producers want to continue to have this flexibility to graze around the nesting season rather than be confined to grazing just the 120 days after July 1, which USDA has proposed for this year.

Congress intended this program to be flexible. For managed haying and grazing to be beneficial for cattle producers, they need the flexibility to incorporate their CRP land into their pasture rotation when they actually need to use it for their cattle. They are paying to use the land and should be allowed to get their money's worth.

With weather uncertainties, producers are better served when they have the option to graze on their CRP land when their non-CRP pastures are dry. If that happens outside of the set grazing period and outside of the set nesting season, producers would not be able to graze on their CRP land under the rules that apply this year. If producers don't need to start grazing until September, they will not get the fully 120 days of grazing that they paid for. If producers need to use 60 of the 120 grazing days at early in the year and 60 later in the year, they will not be able to do that this year.

Texas cattle producers appreciate the option of working their CRP land into their pasture rotation for 120 days per year outside of the nesting season. The Texas Farm Service Agency does not think the flexibility of this program is being abused and does not believe that it has been too difficult to administer. Texas FSA wants to retain flexibility in the program rather than moving to a one-size approach that does not fit all producers and the changing weather and pastures situations they face.

I ask that FSA maintain the 120-day haying and grazing limit per year in Texas and allow producers to choose when they use their day, as long as they do not use them during the defined nesting season for that area. This allows producers to truly manage their haying and grazing and pasture rotation. They can graze on their CRP pasture land when other areas are dry or use their CRP land for grazing when it is of optimum quality.

I would appreciate a written response from the Farm Service Agency and their assistance in working with Texas FSA to bring the 120-day flexibility back to the CRP managed haying and grazing program. We are fast approaching July 1, and producers need to know whether they will be able to continue to have flexibility in grazing or whether the clock on their grazing time period starts ticking on July 1.

Mr. LUCAS. And with that, the Chair would like to invite our first panel which are preparing to testify. Mr. James R. Little, Administrator, Farm Service Agency, USDA, Washington, DC, and Mr. Bruce Knight, Chief of the Natural Resources Conservation Service, USDA, Washington, DC. Mr. Little, please begin whenever you are ready.

STATEMENT OF JAMES R. LITTLE, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE

Mr. LITTLE. Thank you, Mr. Chairman and members of the committee. Thank you for inviting me to appear before you today to discuss conservation programs authorized in the 2002 farm bill.

The Conservation Reserve Program administered by the Farm Service Agency helps protect soil productivity while it improves water, air quality, and wildlife habitat. Countless lakes, rivers, ponds and streams across America are cleaner and healthier today because of CRP.

Currently, there are over 34.6 million acres enrolled in the program, with a cap of 39.2 million acres. FSA has developed several tools to maximize the conservation benefits produced by CRP. An Environmental Benefits Index was implemented to objectively rank CRP enrollment offers nationwide, based on potential environmental benefits. FSA also began the continuous CRP signup effort to target enrollment of highly valued buffer practices such as filter strips, riparian buffers, grass waterways, windbreaks, and similar practices on working lands. These measures are often established along streams and rivers to keep sediment and farm chemicals out of the surface water.

Practices implemented under continuous CRP also reduce gully erosion in fields, protect groundwater recharge areas for public water supplies, and enhance wildlife habitat on field borders and wetland areas. Through CRP, farmers and ranchers have achieved important conservation goals, voluntarily reducing soil erosion by over 442 million tons per year. Our Nation's waters are much cleaner due to the reduced sediment and nutrient loadings. Over 1.5 million acres of streamside buffers and 3.9 million acres of wetlands and adjacent tracts have been enrolled. This has dramatically increased migratory waterfowl numbers.

A recent estimate by the U.S. Fish and Wildlife Service indicating that over 2.5 million additional ducks per year are attributable to CRP. CRP has also significantly enhanced many other wildlife species, and is a key tool in the restoration of threatened and endangered species, such as salmon in the Pacific Northwest, the prairie chicken in Texas, and the sharp-tailed grouse in Idaho.

CRP is also a key tool in protecting our Nation's water supplies. Buffers adjacent to streams and rivers reduce the potential for nutrients, pesticides, and pathogens from contaminating the water used for human consumption. This reduces water treatment costs and the need for costly filtration systems. FSA has implemented a number of administrative measures to improve program delivery while reducing its administrative costs. During the most recent CRP signup, FSA developed a new software tool in close collaboration with the Natural Resources Conservation Service, to automate the Environmental Benefit Index and the Soils Database, and to provide Geospatial Information System support in many counties.

In the last CRP signup, signup 26, this GIS tool greatly reduced the time required for farmers to submit offers, saved farmers at least \$160,000 in participation expenses, and helped FSA and NRCS reduce administrative costs for CRP by over \$7 million. In October of 1997, FSA implemented the Conservation Reserve Enhancement Program, a partnership between the Federal Government, State governments, and local governments. CREP targets some of our Nation's most critical resource areas, and provides for locally tailored conservation measures and incentives under the CRP program umbrella. Currently, we have 29 partnership agreements in 25 States. These agreements are vital in protecting many of our Nation's treasured watersheds, including the Chesapeake Bay, the Great Lakes, the Gulf of Mexico, and the Everglades.

FSA also offers other conservation programs, such as the Grassland Reserve Program. GRP is administered jointly by FSA and NRCS, and the program helps landowners and operators restore and protect grasslands, including rangeland and pastureland, while maintaining the area as grazing lands.

Looking to the future, we are working aggressively to quantify the benefits of conservation measures implemented through CRP using scientifically sound methodologies. We are working with several universities to more efficiently measure outcomes attributable to CRP. By next year, we should be in a better position to identify factual results about the sediment, nitrogen, and phosphorus that CRP prevents from entering our Nation's waterways.

I would like to mention that last week, FSA and the U.S. Geological Survey's Fort Collins Science Center sponsored a conference on the future of CRP. Over 220 participants, including producers, Congressional staff, industry representatives, environmental advocates, academics, and State and Federal representatives of conservation resource agencies participated. Their interactive dialogue during the conference reflected an increased understanding of the CRP, identified the need for future research and analysis, and began identifying the process for identifying what is needed in the future.

CRP has built its success through the momentum of partnerships, and its power lies in the cumulative grassroots strength of

people working together to achieve mutual goals in the conservation of our land, water, air, and wildlife. Conservation is a global issue, a national issue, a local issue, and ultimately, a personal issue for all of us. At the end of the day, we should be doing this for ourselves and for our children's future. Through Federal, State, and private, and organizational partnerships, we are bringing all levels of participation together for mutually beneficial actions that have broad social, economic, and environmental benefits for everyone in America.

This concludes my oral statement. I will be happy to address any questions you might have.

[The prepared statement of Mr. Little appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Chief Knight.

STATEMENT OF BRUCE I. KNIGHT, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE,

Mr. KNIGHT. Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear here today to discuss the conservation programs included in the 2002 farm bill.

Two years ago last month, President Bush signed the farm bill into law, representing an unprecedented conservation commitment to working lands of America. Today, I am pleased to provide a thumbnail update on the conservation investment you made for farming and ranching families across the Nation.

I am especially proud to report that the men and women of the Natural Resources Conservation Service have accomplished objectives that few believed were actually possible. To date, roughly \$3.3 billion in conservation has successfully reached farmers, ranchers, and other customers. In addition, NRCS has published rules for 10 major programs and issued six different requests for proposals. During this timeframe, the Agency continued to make gains in other aspects of its core mission area.

This year alone, NRCS assisted 4 million farmers and ranchers, mapped or updated 22.5 million acres of soils, and distributed more than 1 million publications. Throughout farm bill implementation, we have made program allocation data more accessible to the public, and have greatly streamlined program delivery. In fiscal year 2003, NRCS worked closely with the Farm Service Agency to improve CRP program efficiencies that resulted in an additional \$38 million allocated back out to States through the other conservation programs. I believe that strong cooperation between our agencies is making a real difference, both for our respective agencies and our customers.

Mr. Chairman, I can report that overall, the farm bill conservation title has been extremely popular. The flexibility and innovation that was integrated into the legislation is working and serving us well. As an example, the EQIP backlog for fiscal year 2002 requests was over 70,000 unfunded applications, totaling roughly \$1.5 billion. The backlog for fiscal year 2003 requests was 108,000 unfunded applications, totaling more than \$2.6 billion. Specifically, the new ground and surface water conservation provisions are

being met with an excellent and unprecedented response from farmers and ranchers.

Mr. Chairman, I would also note that on May 19, 2004, the Department transmitted a request to congress to amend the Environmental Quality Incentives Program legislative language to improve access to this program to Native American tribes. Native American Indian tribes experience difficulty accessing EQIP, because of the unique characteristics of tribes and tribal governments. The proposed legislative changes would exempt tribal governments from the payment limitation, and allow them to ensure that payments to individual producers did not exceed the limit.

We believe these proposed changes are appropriate steps towards increasing the availability of USDA programs and services to Native Americans, and contribute toward the civil rights and program outreach objectives of USDA, and we look forward to working with you on furthering this legislative initiative.

Under the Farm and Ranchlands Protection program, many new entities are coming forward and leveraging new projects, and greatly expanding our ideas about what is now possible under that program. A new program that has gained a lot of attention and interest is, of course, the Conservation Security Program. We in the administration are enthusiastic about the prospects of CSP, and look forward to making this program available on farms and ranches across America.

Last week we, in fact, announced the publication of an interim final rule for CSP. We plan to begin signup for the program on July 6, lasting throughout the month of July. The signup will take place in 18 watersheds across the country, and today, the Secretary is releasing the CSP Self Assessment Workbook, and I have a copy of it here today. This will be available via the Internet, by CD-ROM, and in a paper format, and producers will be able to begin that self-assessment process now, prior to the initial signup for the program.

Our watershed approach and payment structure will ensure that CSP is, in fact, all about environmental performance and enhancements. It is not an income transfer program. I would note for members of the subcommittee that the CSP base payment is, in fact, just one of four components that make up a CSP participant's payment. We are proud of what we are accomplishing, and look forward to making the program available to producers this year.

As we look ahead, it is clear that the challenge before us will require dedication of all available resources, the skills and expertise of the NRCS staff, the contribution of volunteers, and continued collaboration with partners. We have contributed over \$2.4 billion towards farm bill conservation implementation.

I thank the Chairman and members of the subcommittee for the opportunity to appear here today, and for your ongoing support and attention to the implementation of the conservation provisions of the 2002 farm bill.

I would be happy to respond to any questions that the Members might have.

[The prepared statement of Mr. Knight appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you, Chief.

Administrator Little, what is the total staff level for FSA employees now around the country, total?

Mr. LITTLE. I can give you the exact number for the record, but my guess is it is approximately 17,000 nationwide, when you take into consideration both the temporary employment and the full-time staffing.

But I can provide the exact number for the record.

Mr. LUCAS. And what would you guess the total salary and expenses to be for FSA?

Mr. LITTLE. It is approximately \$1.3 billion. Between \$1.3 and \$1.4 billion.

Mr. LUCAS. Is it true that the FSA uses around \$1.1 billion to administer the \$19 billion or so in the commodity payments, and the \$2 billion of conservation payments per year?

Mr. LITTLE. Well, when you consider our total salaries and expense budget is approximately \$1.3. I would say it is closer to the \$1.3 number than the \$1.1.

Mr. LUCAS. And how do you plan to deal with the 22 million acres projected to come out of the CRP program in 2007, 2008?

Mr. LITTLE. That is a good question, and as I mentioned in my testimony, we did have a conference last week in Fort Collins, CO, brining a lot of people from the scientific community and academia, technical providers. We had NRCS. We partnered with U.S. Geological Survey, and really taking a look. We had a two and a half day conference, actually, it was 3 days. Taking a real good luck at what the successes of the program have been in the past, what changes that the people there felt needed to be done, and so we could really take a look at how the program might be improved, and really, to address what we need to do in 2007, when 16 million acres expire, and then an additional 6 million expire in 2008.

So, I really can't say at this point in time exactly what we are going to do when those acres expire, but we know we have a real challenge on our hand, and we want to wait and really take a good look at an assessment of what came out of that conference, and come up with some scientific, well educated recommendations before we proceed.

Mr. LUCAS. But it would be a fairly reasonable guess to say that a substantial portion of it potentially would be re-enrolled, potentially.

Mr. LITTLE. Potentially, yes, sir.

Mr. LUCAS. And I guess my next question is if we don't sort out the technical assistance issues, I assume if that is the case, then, probably you are working on the contingency plans on how you will pay for the technical assistance on this.

Mr. LITTLE. That is part of the big scheme of things. As you mentioned earlier in the introductory remarks, the technical assistance is something that we are trying to resolve in the 2005 budget, and hopefully, it will be resolved then.

Mr. LUCAS. Because if we don't resolve it, obviously, you will have a financial challenge of epic proportions.

Mr. LITTLE. Well, it will be a definite challenge, yes, sir.

Mr. LUCAS. OK. Chief Knight, and I realize that just like Administrator Little, you have a lot on your plate, and I realize you are working hard to implement all of these programs, and I know there

are many issues that are perplexing, and from my perspective, of course, trying to keep a grip on the technical assistance costs. Has NRCS hired new staff since 2002 to help meet those challenges?

Mr. KNIGHT. Yes, we have, sir. In 2002, our employee numbers came out at about 11,510. At the end of fiscal year 2003, we had grown to 12,140. It is important to note that that growth is in FTEs, so that counts both employees that we have as full-time, temporaries, as well as Technical Service Providers, because the TSPs count within that overall number, whether we are utilizing them as Federal employees, or as consultants.

Mr. LUCAS. So, how did the total salaries and expenses for 2002 match up with 2003, if that is your most recent numbers, which it would be?

Mr. KNIGHT. Oh, I don't have the 2002 and 2003 salaries and expenses before me right now. I may have to come back to you with that for the record, but we should be able to pull that out.

Mr. LUCAS. Jerry? And I believe NRCS receives \$800 million in its CO account for technical assistance, and another \$350 million out of the farm bill programs. So, does that bring, roughly, Chief, to about \$1.1 billion what is being spent to administer these programs per year?

Mr. LITTLE. That gets us in the ballpark, yes.

Mr. LUCAS. My time is about to expire. We will visit some more, no doubt, and I turn to Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I was hoping we would hear today what you are going to do at the signup. You guys got a couple of preliminary deals, I guess. Can you tell us what date you are going to have the next signup for the CRP, and what size it is going to be?

Mr. LITTLE. We plan on making a decision on the next CRP signup some time later in the summer, probably after the August WASD, the supply and demand numbers that come out from NAS and the World Agricultural Board. With stocks to use ratios as tight as they are right now, we feel that we really need to wait to see how well the crops are going to be turning out, and we won't really know that until the August 12 WASD, so some time August, September timeframe we would be able to make a decision and an announcement.

Mr. PETERSON. When would the signup be?

Mr. LITTLE. Some time following that. That decision. I mean, whether or not it would be decided to have it at this fall or early spring. That decision still would not have been made yet.

Mr. PETERSON. In my part of the world, we have continued to have all these flooding problems, and some people keep pushing the concept that wetland restoration is the solution, but in every flood that we have had in the last 10 years, the wetlands have been full, and it has done zero good. The water just goes across the country. We have had tremendous erosion problems. If we could get CRP put in across this flat area where it floods all the time—I think Mr. Knight is familiar with that area, at least. Maybe you are, too, Mr. Little.

Mr. LITTLE. And I know, I visited the Northwest year before last, and saw some pretty devastating damages caused by some of the floods.

Mr. PETERSON. This has been happening every year, and it has cost us a huge amount of money.

Is there any chance, you know, we have talked to you about trying to get flooding as a criteria to try to get some of this land to qualify for the CRP. Is there any possibility of getting that done within your regulations?

Mr. LITTLE. I know that some of our technical people were up visiting your state this spring. I believe it was in May, and I think we did work out some provisions. I can't speak technically, exactly what they are, but we did come up with some continuous CRP signups that those areas would be eligible for, and that should help some of that flooding situation.

Mr. PETERSON. Under the continuous?

Mr. LITTLE. Yes, sir.

Mr. PETERSON. In the regular enrollment, is there any chance of getting some kind of points for this because it the land in the valley there, if you know, is some of the most productive land in the country, and it generally doesn't qualify. Now, part of the reason was that they took it out of the priority area when they originally set this up, and now, it has been put back in, so that helps to some extent, but this is high priced land, and the way things work, we even lost some of the land that was outside the valley to North Dakota, because their land rentals are so much less, in the last couple of signups.

So, unless we get some kind of extra help, extra points for flooding, this land probably isn't going to qualify in the regular signup.

Mr. LITTLE. We certainly will be glad to take a look at that, but obviously, the high erodibility of the land would play a key role in the Environmental Benefit Index, as it was applied, yes.

Mr. PETERSON. Now, but the problem is, the way I understand it, the way your rules are, this land is not necessarily highly erodible, except when we have a big flood event, and then it goes cross country, and it just washes everything out, and creates big gullies all across the fields, and we spend all this money restoring it. But as I understand it, the way the rules are applied, we don't really get any credit for that, and it doesn't qualify as highly erodible, and that causes us not to get enough points and not to be able to get this stuff in.

If continuous really isn't big enough to get in there.

Mr. LITTLE. If it is established as a priority area, it would get some credit for it, and we will certainly be glad to have that discussion with the State executive director up there, and with your staff as well. But if it is a priority area, it would get consideration.

Mr. PETERSON. And the last thing is, we have raised the rates on the continuous signup, I think, quite a bit, haven't we, in the last couple years? We have increased what we are paying trying to get more people signed up in the continuous?

Mr. LITTLE. Yes, sir. I don't have the exact statistics. I could provide those for the record.

Mr. PETERSON. Yes. But my question is—I was looking at this chart here, and it looks like in spite of us doing that, we really haven't changed the amount of continuous signup. It stayed about the same level. In fact, in 2002, it actually went down. So, my

question is, is all this increase in payments that we are making making any difference? It doesn't look to me like it is.

Mr. LITTLE. Well, nationwide, it has averaged somewhere between 400,000 and 500,000 acres per year. That is pretty consistent with what our expectations were, but we do believe, because under some of our CREP agreements, they really do have a higher environmental benefit than just your regular rank and file, regular signup. But we do believe that the increased costs are validated, just because you are getting a bigger benefit out of a bigger environmental benefit from these practices, particularly because they are protecting our streams and rivers and lakes.

Mr. PETERSON. Well, it still doesn't look to me like you are getting a significant increase, and we have increased the payments quite a bit, and it didn't really look like it changed.

Mr. LITTLE. We are getting a larger number. I think we have about 2.2 million acres currently, so yes, the payments are going to increase, because we have more acres that have been enrolled.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

Mr. LUCAS. The gentleman from Kansas.

Mr. MORAN. Mr. Chairman, thank you. Thank you for having this hearing. You and others. Many of us put a lot of effort into conservation issues in the passage of the most recent version of the farm bill, and good to see a review as to where we are.

Mr. Little, I am surprised by the admission that CRP decisions in part are based upon supply and demand considerations. That has always amazed me. My assumption was that there was, perhaps behind the scenes kind of consideration of supply and demand, but for you and others to publicly indicate that we are going to determine our CRP signup based upon supply and demand does cause me to smile a bit.

I had this conversation with Secretary Glickman in a previous administration. My assumption is that CRP is a conservation program designed to take land out of production that is environmentally sensitive, as compared to it. And I have told my constituents that CRP should not be a supply and demand tool, and so, for USDA to indicate that it is, at least that is a consideration in your planning, I would like to know where that comes from, what is the basis for CRP—perhaps it has always been that way, but at least now, in a more official manner, becoming a supply and demand tool.

Mr. LITTLE. Well, granted, it is a conservation program to improve the environment. This year, we felt that we were in a little bit different situation than we have been in the past. We were at really, literally, historically low stocks to demand use, and at that point in time, we were in a prolonged drought, and really didn't know what the crops were going to end up with for the year, with soybeans and corn in a predicament, of particularly low stocks. We really felt that we needed to hold off on having another signup until we really found out what the crop situations were going to look like. Because if we ended up with reduced production, particularly in corn, particularly in soybeans, we could end up in actually a shortfall in production versus demand.

Mr. MORAN. What concerns me is that the other words that one could use for supply and demand is price, which would suggest to

me that we can manipulate—that is a poor choice of words—we can alter our CRP acres to attempt, at least, to effectuate a change in price, presumably up or down, which I would think would raise some concerns among the agriculture community. And perhaps, I can explore this a bit with some of our commodity and farm organizations.

Mr. Knight, Chief Knight, I appreciate a couple of things. I appreciate you coming to Kansas several months past, and your interest in our conservation issues. Most recently, I am very grateful for a change in rules at USDA regarding incidental grazing of wheat. We have had some—and maybe this is a compliment to Mr. Little as well—I realize that FSA is responsible for this decision. I appreciate that very much. There was a lack of common sense in the way that would have required our farmers, if they would do it, to fence off their terraces, to avoid incidental grazing on wheat ground, and you all responded very quickly and appropriately, and I am very grateful for USDA's reaction.

The farm bill, now, Mr. Knight, the farm bill had a couple of provisions that I was especially, specifically interested in, one of which you saw when you were in Kansas, the issue of noxious weeds, and the use of EQIP dollars to combat, in our case, *Sericea lespedeza*. And then secondly, we have had concern about the underground water supply, in our case, in Kansas, and a number of other States, the Ogallala aquifer, and again, the farm bill, under EQIP, had some provisions to allow for incentives for water conservation.

I just would be appreciative of kind of an update on the implementation of those two kind of specific provisions, noxious weed control and water conservation from underground water supplies.

Mr. KNIGHT. Thank you, sir, and I, too, enjoyed the brief respite in Kansas, and a chance to see some of the unique conservation needs in Kansas.

First off, on ground and surface water conservation. This has been a very popular program, and as such, we started just 2 years ago in the States that were over the Ogallala aquifer. We expanded it to 17 western States last year, and this year, are nearly nationwide with it as a program. We are providing assistance for water conservation, updating irrigation equipment, transfer to more efficient nozzles, some conversion from flood to pivot, pivot to tape, those sorts of irrigation systems. And then also some conversion from irrigation back to dry land. Been a very, very popular program. We are also using increasingly—both EQIP and WHIP funds are being used for invasive species control, and have worked very well, and as a matter of fact, we are finding that WHIP has been a very dynamic program, the Wildlife Habitat Incentives Program, for addressing invasives control, because it also benefits, in turn, the wildlife in that community.

Mr. MORAN. All right. Thank you very much. Thank you, Mr. Chairman.

Mr. LUCAS. Thank you, Mr. Moran. And we turn to the ranking member, who has returned, Mr. Holden.

Mr. HOLDEN. Well, thank you, Mr. Chairman. Mr. Knight, just a few questions. Last night in the Agriculture Appropriations Subcommittee markup, the committee appropriated \$194 million for the Conservation Security Program. Given this funding level, how

do you feel that this would effect the number of contracts signed under the program, as well as the way in which the program would be administered, changes in administration?

Mr. KNIGHT. I am almost hesitant to speculate too early in the process, but the \$194 million is not very far away from the President's proposal, which was \$209 million. As it would limit, perhaps, the number of watersheds we would be able to do, and then be able to move forward with a number of contracts. At the \$209 million level, we had anticipated being able to write approximately 12,000 to 14,000 contracts in CSP, so this would limit the total number of contracts we would accept somewhat, but we think we could have a very vibrant and very robust program at the \$194 million level.

Mr. HOLDEN. Any change in the administrative plan at that number?

Mr. KNIGHT. The program has been built under the interim final rule to be fairly flexible, in that utilizing the watershed concept, we can contract or expand as warranted with the dollars, so I would anticipate more programmatic changes as a result of what we learn from the first year of implementation, than as a result of any limitations that we see coming out of the program thus far.

Mr. HOLDEN. As I mentioned in my opening statement, there has been significant concern that NRCS has not been attentive to the needs of specialty crop producers, and continues to lack the staff and knowledge required to reach out to these producers. What has NRCS done to bridge this gap, and what are your plans for the future?

Mr. KNIGHT. We share that concern, and are trying to adjust programs to be able to ensure that we are meeting more completely the needs of specialty crop producers. A lot of folks tend to focus on integrated pest management as a means to provide that assistance. We are actually finding that a great deal of our assistance to specialty crop producers is coming out through irrigation management and water conservation measures. We have also specifically selected some of the first watersheds we are utilizing in the Conservation Security Program in order to fully test this program as a means of helping to meet the needs of specialty crop producers. So we need to meet that from several different—

Mr. HOLDEN. One of those is in Pennsylvania, I believe.

Mr. KNIGHT. Yes, one was in Pennsylvania.

Mr. HOLDEN. Thank you, sir.

Mr. LUCAS. The Chair turns to the gentleman from Nebraska.

Mr. OSBORNE. Thank you, Mr. Chairman. And first of all, Mr. Little, I know you mentioned some acreages for CRP, and I know it was authorized at 39.2 million, I believe, and can you just refresh my memory as to how many acres are actually enrolled in CRP at the present time?

Mr. LITTLE. Currently, we have 34.6, somewhere between 34.6 and 34.7 million acres that are enrolled to date through the continuous signup and through the regular signups.

Mr. OSBORNE. So, do you have any particular reason that you would ascribe to that shortfall, that difference between what is allocated and what is being signed up for? Is there just not enough demand to fill up the 39.2 million acres?

Mr. LITTLE. We have to plan through this, because there is a budgetary impact, any time we hold a general signup. So we kind of move into it, so to speak, on a progressive basis. Our plans right now, for the 34.6, is to have another general signup, hopefully within this next year. Additional, about 500,000 a year, we have assigned, not assigned, but projected for the continuous signup, which includes a couple of initiatives that we have, including a hardwoods initiative that is working a little bit slowly. The Farmable Wetland Program is another one that we have that has some initiatives on, so I mean, it is not something that we can just fill up automatically, because there is a workload issue. We have to get to get the technical assistance from NRCS, plus the rental payments on an annual basis, so it is not something we can move into just like that.

Mr. OSBORNE. Well, as you are probably aware, many western States have experienced quite a significant drought, the last 5 years, actually.

Mr. LITTLE. Yes, sir.

Mr. OSBORNE. And some of the counties that we have there, that are the driest, have already maxed out on their CRP acreage. Is there much flexibility there, in terms of being able to go over an allocated amount of CRP land that has been allocated to a certain region or a certain county?

Mr. LITTLE. Are you speaking of the 25 percent rule that no more than 25 percent in the county? If a State comes to Washington, and asks for an exception to that rule, over the 25 percent rule, we will consider it.

Mr. OSBORNE. That is an administrative decision——

Mr. LITTLE. Yes, sir. We do have that flexibility.

Mr. OSBORNE. Well, then, let me just ask one other question of you, and that is that, again, with the drought, some of our reservoirs are almost depleted. The main reservoir in Nebraska will be down to 10 percent at the end of this irrigation season. Next year, if the drought continues, it will be empty about halfway through our irrigation season. So we are looking at a CREP program to try to take some acres out of irrigation, at least out of surface irrigation, and can you tell me real quickly what the parameters are? What is it you are looking for when you allocate dollars for CREP?

Mr. LITTLE. Well, a CREP agreement is a partnership between FSA, Commodity Credit Corporation, USDA, the State, and then additional partnerships may crop up as well within the State. So, I mean, we are looking for a reasonable approach to address a conservation environmental issue, and I know that we had some folks out in Nebraska within the last month or two, to sit down with you to try to scope out exactly what those elements are. So, I mean, once we come up with a reasonable agreement, we will put it into place.

Mr. OSBORNE. OK. Thank you, sir. One more question. This will be for Chief Knight. What are the specific steps that USDA is planning to take in 2004 and beyond for livestock producers facing significant water, air quality regulatory challenges, including of course, our pork producers, to get adequate assistance from EQIP?

Mr. KNIGHT. Sir, I am fortunate enough to be the chair of the Department of Agriculture's Air Quality Committee, and so, I have been actively working with the various subcommittees on that committee for them to provide us recommendations on how to have as robust as possible practices and standards as we can on air quality. To really be able to extract all the information that we need to update our standards and practices, we have been making changes to existing practice standards in that arena. Last year, we made some 60 adjustments to existing practices. But there is more to be done in the future, as we continue to address this air quality issue.

Mr. OSBORNE. Thank you, Mr. Chairman.

Mr. LUCAS. The Chair turns to the gentleman from Hawaii.

Mr. CASE. Thank you, Mr. Chairman, Mr. Knight, Mr. Little. A couple of questions having to do with Hawaii, that I think have broader applicability.

Mr. Little, first. Just following up on Mr. Osborne's questions. In Hawaii, we also want to join the CREP ranks, and the first thing I want to tell you, if you don't already know it—I suspect you do—is that we expect to submit an application for a CREP proposal to you in the very near future. I think some of your folks are going to come out to Hawaii. If you are not among them, I certainly would be willing to invite you to join them. I know Mr. Knight has had the pleasure of coming out, as has my chairman. But this might be a good opportunity for you. I think it is going to be a unique proposal, in that it tries to tie erosion on land with marine conservation consequences.

I guess the two questions related to that, besides just the notice to you, are there other CREP proposals that have followed the same lines, where they really have tied both land and water conservation issues together, number one? Number two, just logistically, is there some range of how long it is taking you nowadays to get through a CREP proposal? Any guidelines, any general advice for expediting things? Because we really do want to get this one going.

Mr. LITTLE. Well, first off, I appreciate the invitation.

Mr. CASE. But you are not ready to accept.

Mr. LITTLE. Well, I was just writing my—

Mr. CASE. July 20, 21.

Mr. LITTLE. I understand it is in July. Yes, we are planning on coming out there to really sit down and try to hammer out a final agreement. I don't think we really have a timeline as to how long it takes to get a CREP agreement through the process. I mean, sometimes, we can go very smoothly when you have everybody on the same page, because you have environmental issues. You have farming issues. There are a lot of people that have a stake in the final agreement, budgetary issues from the State perspective as well. So I can't really give you a timeframe. But I would say that a lot of our programs have a tie between water quality and the land. And matter of fact, I would say probably the majority of ours have a direct tie, particularly, we just signed one in, I believe it was in Pennsylvania, that has an impact on the Gulf of Mexico. Pennsylvania, Virginia, Maryland, all have an impact on the Chesapeake Bay, so I would say the majority of them do have some kind of a tie to the water.

Mr. CASE. OK. Thank you. Mr. Knight, first of all, thank you very much for visiting. Thank you very much for especially visiting my district, which has most of the agriculture in Hawaii, most of the needs from these programs, and I also want to thank you for Hawaii, and I think other States, for the regional equity adjustment that substantially increased our allotment for fiscal year 2003. These programs are really vital to my State as well as elsewhere, and I think these are some of the best programs in all of the Federal Government. So, although I wasn't here when these were put together, I certainly am here to try to help them along.

We are having some problem in Hawaii in obligating some of the moneys received for Farm and Ranchland Protection Program. The primary obstacle, as Chairman Lucas heard in spades, in Hilo, in a hearing that we had a few months ago, is the adjusted gross income limitation, which is creating some very unique and specific problems for Hawaii, where we have a very highly centralized system of land ownership really coming out of some deep history. Essentially, what it is causing is farm and ranchlands that are only marginally profitable being under joint ownership with an owner that might have developed some of it for housing or a shopping center, and as a result, because they do not meet that AGI limitation, the lands that most need the protection, they can't get underneath the program.

I guess I have got two questions that are related to that. First of all, do you have any current thoughts on what we might do in this situation with AGI? What kind of—and if there is a way for answering this after we have some time here, what kinds of solutions to that might the administration be willing to support, number one? Number two, what mechanisms might exist, while we are busy trying to solve that problem, for using some of the money which would otherwise go to the Farm and Ranchland Protection Program that cannot be used in Hawaii for these reasons, and taking them somewhere else. For example, a grassland protection program, where we have probably a ratio of somewhere around 6 or 7 to 1 in terms of needs versus allocations. Can we shift that money, or is there a reasonable way to do it, or is there a reasonable way to provide that authority on either a stopgap basis or a long term basis?

Mr. KNIGHT. We have certainly experienced growing pains, sir, in beginning to implement the AGI provisions, and we have seen it in several areas. We have run into it with a great deal of frequency in both Florida and Hawaii on this intermix of ranches with development. We have pockets of similar frustration in a limited number of livestock feedlots having difficulty gaining access to EQIP funds now, because of the AGI, and of course, what I mentioned in my testimony, with Native American populations that are having a tremendous challenge to meeting those objectives.

We have looked to implement AGI with as much administrative flexibility as we can, but beyond where we are, I suspect we may be having to look for a legislative fix to go beyond where we are now, in light of all of the controversy associated with caps and AGI as it pertains to not just farm programs, but specifically to the conservation programs.

Mr. CASE. And then, if I could, just the second part, just briefly. The flexibility to go from one program to the next.

Mr. KNIGHT. I would have to take a look at if there is any flexibility we could do to move dollars from one program to another. We are approaching that point in the year where we start picking up unutilized funds in a State from some of our programs, like the Wetlands Reserve program, FRPP, Grasslands Reserve, and then reallocating those out to the States.

Mr. CASE. Thank you very much.

Mr. LUCAS. The Chair turns to the gentleman from Georgia.

Mr. BURNS. Thank you, Mr. Chairman. Thank you for holding this hearing. Conservation is always a key component of all of our agricultural policies.

Georgia maybe be a little different from the West, as far as how we choose to participate in the CRP, and Mr. Little, most folks, when we look at adopting this practice, we plant trees. So as opposed to grasslands or whatever, we forest that land with plantation pines, and that makes it quite different, perhaps, as far as a long term commitment.

One of the challenges is that as we take this land out of production, and it goes to a long term commitment in forestry, I think it is important that we focus on the purpose of the conservation program, which is highly erodible lands, and lands that would be sensitive to environmental concerns.

As you administer CRP programs through FSA, in your decision mix, how do you determine those lands that might best be placed into this long term program—realize there is not a renewing of that contract.

Mr. LITTLE. Well, under the program, clearly you are entitled to enroll trees, and in the event that, I mean, once those lands come out of the contract for reenrollment, they are authorized to come in and attempt to reenroll them. If, for example, they were to expire, and the producer wanted to get back their base, they are also entitled to that. I am not real sure if I am answering your question or not.

Mr. BURNS. You are getting there.

Mr. LITTLE. But I mean, they are entitled, either—

Mr. BURNS. The challenge is that you have this 10-plus year old crop of trees, that is not exactly an optional tillage tract.

Mr. LITTLE. Well, we have attempted to be flexible, particularly if they are going to be coming in and thinning out the trees.

Mr. BURNS. In the technical assistance component of it, do you feel that you have sufficient resources and staffing to meet the demands of reenrollment, really, or the challenges of reenrollment, or the challenges of new enrollment, across our Nation?

Mr. LITTLE. Well, within the staffing that the Farm Service Agency has, and the improvements that we have made using automation for the enrollment process, and the dependence on the NRCS for the technical assistance, and the use of the third party providers, we believe that we do have the necessary resources, yes, sir.

Mr. BURNS. As I visit our FSA offices locally across the State, there is always a shortage of, apparently, of support staff, and again, I hear that probably as much as you do. And so we are just

looking for a reasonable balance to understand the reality of the situation. The other real interesting—it is not directly related to conservation, but it goes relate to FSA, that I would like to just mention. As we went through the new implementation, the farm bill plus the disaster bill, FSA had some substantial load placed on it, and during that period of time, of stress and demand, there were some potentially, administrative mistakes that were made that have severely impacted farmers in my district, and I want to come back at another opportunity to visit with you on that, because it is not directly related to conservation.

Mr. Knight, let us turn to NRCS just for a moment. At a recent farm tour by the chairman of the full committee, Mr. Goodlatte and I had a chance to probably make a dozen stops within the district, and one of the highlights was really some of the conservation programs that are being put into practice and becoming very popular in the Southeast, especially strip tillage, and the metering and monitoring of water, especially a lot of center pivots.

Can you give me just a brief update on how that program is playing across the Nation, as far as people adopting sound conservation practices, even when they continue to produce the agricultural commodity crops?

Mr. KNIGHT. Thank you, sir. We have got a tremendous interest in every one of our programs. The metering and monitoring of the water is an example, is part of a program called Ground Surface Water Conservation Program. In fiscal year 2003, we had \$53 million for that, fiscal year 2004, \$68 million for those programs, and like EQIP, each of these programs had tremendous backlogs.

Most of these programs were running around a 23 percent acceptance rate, which means that for every customer that we are saying yes and signing the contract on, we have three other customers that are queued up in line waiting for service. So, they have been extremely popular.

Mr. BURNS. Are those three that are queued up, are they qualified to receive those services, should there be resources?

Mr. KNIGHT. They are probably qualified, yes. They did not rank as high as the one that was accepted, and——

Mr. BURNS. So, the demand is there.

Mr. KNIGHT. The demand is there. Those existing proposed applications are queued up for each subsequent year. If the producer wants to stay in line, but each year, they are ranked independently on their own environmental merits.

Mr. BURNS. Thank you, Mr. Chairman.

Mr. LUCAS. We turn to the gentleman from North Carolina.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and I appreciate this hearing. And gentlemen, thank you for being here.

Mr. Knight, my first question is for you. As we all know, the provisions of the technical assistance is probably the greatest obstacle to the success of the 2002 farm bill. I mean, we hear that not only from farmers, but from every group who testifies.

My question to you is wasn't there a proposal in the 2005 budget for the administration to cut full-time employees who would be used to help provide farmers with services they need regarding conservation programs, which would mean it would be about a 14.9

percent reduction in full-time employees, a little over 2,000? If that is true, how does that help us implement the program for a farmer?

Mr. KNIGHT. The 2005 budget proposed increases for a majority of the farm programs that are there from the previous year, the EQIP program, WHIP, several of those programs. It, however, did assume that the earmarks were not assumed to continue. The appropriators have taken action, as you all know, yesterday, that would provide the appropriated funds and the FTEs associated with that. But what you are looking at laid with the discretionary side, not the mandatory side, of funds, as it pertained to those discussions.

Now, as it pertains to the TA issue, in total, the other thing that was proposed in the administration budget is a technical assistance account specifically for the Conservation Reserve Program, and the Wetlands Reserve Program, so that we would no longer have to utilize funds from the four donor programs to provide funding for CRP and WRP, and that would provide additional resources, then, for EQIP, Farm and Ranchland Protection Program, Ground and Surface Water Conservation Program, and the Grasslands Reserve Program.

Mr. ETHERIDGE. All right. Let me see if I can understand your answer. Because I don't believe I understood it. You are saying the answer is no, or answer is yes? The cuts are in the proposed budget, or they aren't in the proposed budget?

Mr. KNIGHT. There are additional funds proposed in—

Mr. ETHERIDGE. No, my question was personnel in the program.

Mr. KNIGHT. There are additional funds proposed for the mandatory programs. There was an assumption for fewer dollars on the discretionary side, which would lead you to the conclusion that you had made.

Mr. ETHERIDGE. So the answer is yes.

Mr. KNIGHT. Yes.

Mr. ETHERIDGE. Thank you. We are going to have additional people coming later, and many of them are livestock groups. And they have expressed concerns about how their producers are seeking funding under EQIP to deal with specific, in many cases, with manure and other things they have got to move from out on the farmland. And I have heard from them too, and many of them say that they fail to qualify. They have been told if they will make a few adjustments by adding wildlife habitat or erosion control, they will get better points, which may or may not be true. While all of us want to reduce erosion and add wildlife habitats, is it really the best way to utilize the limited funds that we have, is it right, I guess, is the better question, to force, or at least pressure people to include objectives in their application that are not directly related to their goals of improving water and air quality, just as a chance to get money?

Mr. KNIGHT. We share the concern in wanting to ensure that we are responding to the needs of the livestock community. And as you know, there is a statutory requirement that we invest 60 percent of the EQIP funds in livestock and livestock-related practices. Last year, we came out at around 65 percent, so I now have push back from another community, saying you have put too much into the livestock. But that aside, we are looking at how best to meet those

needs. We have recently changed the practices to also include mobile equipment, which allows us to be able to assist many livestock producers in spreading of the manure, and each of those things.

The direction that we received from Congress was quite clear that we were to move away from a system that gave weight to additional practices such as wildlife in that. That is not to say there is not a little residual left out there in implementation, in some States. We will look at any of those remaining things to see if there are further adjustments that need to be made as we are moving forward on implementation of EQIP.

Mr. ETHERIDGE. Mr. Chairman, I see my time has expired. I have a few more questions I will follow up next round. Thank you.

Mr. LUCAS. Absolutely, and the gentleman asked some very good questions, and I think the same point could be asked about CSP, and we will discuss that later. The Chair now turns to the gentleman from Florida, Mr. Putnam.

Mr. PUTNAM. Thank you, Mr. Chairman. I have listened with great interest to the comments from the gentleman from Hawaii and Pennsylvania, specialty crop issues and specialty crop States. One of the things that I discovered upon arriving here in the throes of the farm bill fight was that so many of the conservation programs were mostly designed to meet the needs of Midwestern and Western agriculture. They were also the greatest beneficiaries of our direct support payments. And that those free market crops were also, in many cases, unable to benefit from the environmental benefits that they produce. So, in the farm bill, we were able to insert, in section 2003, partnerships and cooperation, which provided incentives for farmers and ranchers to encourage partnerships in enrollments of optimal conservation value through flexibility to reflect unique local circumstances. In other words, creating a system where you could tear down some of the stovepipes of programs, and tailor a range of benefits to a particular parcel. Would you please give me the status of your implementation of that section of the law?

Mr. KNIGHT. We have been working through all of the workload of rules that we have got in front of us, and we have completed, I believe, nearly 10 rules in rulemaking processes, and about half a dozen RFPs. We now have a handful of things remaining in front of us. One of those is completing the Technical Service Provider rule. Next in the queue after that is completion, so we can go to implementation, of partnerships and cooperation. I have full intention of having partnerships and cooperation up and running this fiscal year. And then we have a handful of small rulemaking processes, including the confidentiality rule. And we hope to be able to have all of this completed by the end of this fiscal year.

Mr. PUTNAM. So, up and running, then, by October 1?

Mr. KNIGHT. Yes, sir.

Mr. PUTNAM. Now, in that section, there was a provision for stewardship agreements, to allow flexibility to adjust program criteria, approved practices, innovative practices, and other elements to reflect unique local circumstances. Will they also be ready to go by October 1?

Mr. KNIGHT. I would have to look at the specific language as it pertains to the provisions in there on stewardship agreements, and get back to you for the record.

Mr. PUTNAM. Stewardship agreements really are the main meat of the whole section. So, if the partnerships and cooperation is ready to go, I would be curious why the biggest piece of that section wouldn't also be ready to go.

Mr. KNIGHT. I don't have all the rules on partnerships and cooperation memorized, sir. So I will have to double check where we are at on that.

Mr. PUTNAM. Well, I think it is important. We are 2 years into this thing now, and it was designed to help folks who traditionally didn't have access to the historical programs, the sort of the major key pieces of the conservation goals in the farm bill. The Farm and Ranchland Protection Act was also designed to address the development pressures on farms and ranches, and allowed for long term easements. Do you see that the partnership and cooperation section of the farm bill could be used to tailor the Farm and Ranchland Protection Act's goals to achieve some of your conservation objectives?

Mr. KNIGHT. The Farm and Ranchland Protection Program is a very vital and very vibrant program, and one that is continuing to grow very, very rapidly. We have got tremendous backlogs of interest in that particular program. I would have to go back and look at what the potential for interplay is between Farm and Ranchland Protection and the Partners and Cooperation.

Mr. PUTNAM. I would encourage you to do that, particularly on the stewardship agreement section, that it is precisely that type of tailoring for a particular parcel, or for a particular conservation goal, that led to the development of it, and I hope that you will take a look at that, and I look forward to working with you on implementing it.

Mr. KNIGHT. One of the major challenges that I have got in moving forward on the Farm and Ranchland Protection Program is I know that there are some folks that are intending to utilize it now to start funding the infrastructure of the planning process, versus the actual acquisition of the easements, and thus far, the vitality of the Farm and Ranchland Protection Program has, quite frankly, been about the easement acquisition and protection of the farmland.

Mr. PUTNAM. Well, I look forward to working with you on that, and I hope that you will take a look at section 2003.

Mr. KNIGHT. Certainly, I will.

Mr. PUTNAM. I look forward to seeing you on October 1, too. Thank you.

Mr. LUCAS. Thank you, Mr. Putnam. Apparently, we have a series of four votes, so it would be the intention of the Chair, if the ranking member of the full committee has a question, to proceed with your question, and then we will recess subject to the call of the Chair, indulge our wonderful panel to come back and then finish the round, and be prepared to discuss a little bit of watershed rehab.

Mr. STENHOLM. Thank you, Mr. Chairman. Chief Knight, are we paying producers to switch to less water-intensive crops under the

Ground and Surface Water Protection Program? If not, why not? This was certainly one of the actions envisioned by the farm bill.

Mr. KNIGHT. Yes, we are, sir. It is offered in several States, and thus far, in looking at last year, had a fairly limited amount of people that had contracts that were either proposed or accepted. I do anticipate that that will continue as we go through implementation of this year.

Mr. STENHOLM. In light of the fact that you have admitted, and we all know, that you have a workforce capacity problem, and we have a shortage of financial assistance, why is your agency requiring whole farm and ranch plans, even in programs where the need for a whole operation plan wasn't envisioned, may not be wanted, or isn't appropriate?

Mr. KNIGHT. The direction that we have provided to folks is that we need to have planning that is appropriate for the practice for the contract that is there. And so, there shouldn't be whole farm planning occurring on practices or contracts that do not need to utilize whole farm planning.

Mr. STENHOLM. I think you better check a little bit what is going on out in the country.

Mr. KNIGHT. I have no doubt in my mind that we may have some remnants of that still occurring. As decentralized as we are, it takes time to effectuate some of those legislative directions and changes.

Mr. STENHOLM. There have been several instances where other agencies, such as EPA, have advanced proposals that sometimes make it out in the public. Others that didn't, which all indicate that they are going to rely on the farm bill conservation funding and programs to address the issues being highlighted. These include the President's recently announced goal on wetlands, the EPA's draft 500 day water plan, the EPA's draft section 319 guidance from last year, and even the cuts in section 319 program based on the argument that EQIP can take up the slack. Given the limitations imposed on EQIP and WRP, coupled with the current backlog in these programs, do you really think that this is a realistic plan for funding all these disparate initiatives?

Mr. KNIGHT. We have tremendous backlogs on each and every one of the programs in EQIP. We are turning away three contracts for every contract that we are able to accept. Many of the programs that you make reference to are, however, the goals and objectives fit squarely within the four national goals that we have for EQIP, water quality, air quality, wildlife habitat, and soil quality. So, there are certainly each of those largely in keeping with the goals and objectives of EQIP. The challenge is resources both fiscal and the number of people to be able to implement the program.

Mr. STENHOLM. Well, yes. And I think you answered no, it is not realistic, because the backlog and I think you probably have seen what the appropriators have done to these programs again, limiting the amount of money that we have available. Which is why I have, quite often, made the point that the farm bill has been reopened, and it is in a negative way, to address the problems of which you and your agency are trying your best to deal with. But we keep having unrealistic goals put upon you, and we don't put the money with it. And that is one of the real tragedies of what

is happening today regarding agriculture, because these other goals are rather important. Dealing with the soil and the water is extremely important. The gentleman, Mr. Putnam's question was one that I also was going to ask, because that was a key, key provision of the farm bill that dealt with the non-program crops, and we are halfway through the farm bill, and we are nowhere—well, you said maybe by October, we will be addressing those questions, so I thank you for pointing out and highlighting the concerns and how your agency is going to have a difficult time accomplishing that which we need to do, given the restraints being put on us by the budget that was passed, that reopened the farm bill.

Mr. KNIGHT. If I might add, sir, the one program that we should make mention of that is helping a great deal in responding to regulatory needs and concerns is Conservation Technical Assistance. Some \$800 million that is out there that provides that baseline of operations and support. Last year, we accomplished, as an agency, nearly 8,000 comprehensive nutrient management plans to assist livestock producers with their baseline regulatory needs. Over 5,000 of those 8,000 CNMPs were accomplished through CTA, without having to use any of the cost share available through EQIP or any of the other programs.

Mr. STENHOLM. I thank you for highlighting that, and that was certainly an accomplishment worth highlighting and mentioning. Thank you.

Mr. KNIGHT. Thank you.

Mr. LUCAS. The chairman thanks the ranking member, asks the indulgence of the witnesses to remain. We should return in 40 minutes or so. We have some more questions to be asked, and at that, the subcommittee stands in recess subject to the call of the Chair.

[Recess]

Mr. LUCAS. The committee is reconvened, and the Chair will now turn to the gentleman from Texas for his questions.

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and thank you for holding this hearing to review implementation of the conservation title of the 2002 farm bill, and allowing me to join your subcommittee today.

This farm bill significantly increases conservation programs and cost sharing opportunities available to producers, and USDA has worked hard to implement the changes. Mr. Little, Texas producers were pleased that the 2002 farm bill allowed managed haying and grazing on their CRP land, and last year, producers were able to graze for 120 days, provided those days were outside the nesting seasons that run from March 1 to July 1. This year, USDA has told Texas that grazing must be confined to the 120 days beginning July 1. Texas producers and the Texas FSA want to maintain the flexibility they have had in managing hay and grazing programs, especially since producers are paying to have those grazing days. This allows producers to truly manage their grazing on CRP within the pasture rotation, and based on weather and other changes.

I guess the question I have is we are getting close to July 1. Can the Farm Service Agency work with Texas State office so that producers can retain the flexibility they have had last year in haying and grazing days?

Mr. LITTLE. Yes, sir, Mr. Congressman. Actually, I have been in touch with the State office this morning. One of the things that we ran into when we implemented that portion of the farm bill with the managed haying and grazing, last year was the first year that we had that in place.

We stated at that time that you could do it for 120 days, as long as it was not within the nesting period. What we found, that Texas and a couple of other States were doing is basically, using it as a managed grazing program, rather than a—I mean managed grazing, making CRP a managed grazing program, rather than the environmental program that it really was intended. They were setting up, each individual farmer was able to make their own determination as to how those 120 days would be distributed, such as 40 3 days sessions during that off nesting period, or two 60 day time periods. We felt that the intent of the Congress was to ensure that the CRP program was environmentally sound, scientifically based. We worked with NRCS to have them establish a managed grazing plan, and we felt that the way that Texas and some of the other States were really not in compliance with what we felt the intent of the Congress was.

The way we are reading it now, and the way we have been notifying our States in how to carry this out would be they could do two 60-day periods or one 90-day period for haying, but not just go in, just as long, 3 or 4 days here, 5 or 6, 7 days here, just as long as they were within that 120 period. One of the things that we have done, we had mentioned, something that was mentioned earlier, was the incidental grazing of wheat. We believe that might ameliorate the issue with Texas a little bit. But I just don't feel that the way it was being administered last year was really that manageable from a compliance perspective, it would be very difficult for us to go in and make sure that they were complying with that 120 days, particularly if they were doing it on an irregular basis.

I will be glad to meet with the State committee. I will be glad to meet with the State director to try to address it, but at this point in time, we believe that the way it was being administered was just not something that we could continue.

Mr. NEUGEBAUER. Well, the Texas folks really don't think that the producers abused the program last year. They felt like that that flexibility in grazing really gave them an opportunity, because to manage this difficult time that has been going on in West Texas in part of the area where I represent, because of the drought conditions that we have had, and sometimes, we might get some early rains which might stimulate some grassland, but sometimes, we might not. And so being able to have the flexibility to do that maybe prior to the nesting period, and then waiting to see what the weather pattern for the summer, gave them the flexibility, then, to look into the fall and see what kind of grazing needs were going to happen at that particular time.

I would hope, as we are getting close to July 1, that you could have some kind of dialogue with them prior to that date, so that we can make sure all of our producers understand what these rules are going to do to them, and how that is going to impact them. But secondly, I would hope that you would consider leaving as much

flexibility in that process as you can, because when these—and I think Mr. Osborne mentioned that also. This drought has been a real problem. This year, we are off to a little better start, but again it can stop raining and change the whole dynamics of what the grazing needs are going to be, as we move into the fall.

Mr. LITTLE. Yes, sir. As I mentioned, I was in touch with the State this morning, and we will certainly follow up.

Mr. NEUGEBAUER. Thank you so much. You have always been very responsive, and I know that you will do that. The second question I had was that earlier this year, I introduced legislation that would allow farmers to enroll playa lakes into the new Farmable Wetland Programs within the CRP. Many of the 50,000 playa lakes in the High Plains are located on farmland, and some have been planted in the past with crops.

Playa lakes, as you know, are an important recharge area for our aquifer. We have sent that bill over to you, the Department of Agriculture, for some comment. And I just wanted to kind of get your feelings about this proposal.

Mr. LITTLE. The Department is, looking at the legislation, per se, but we believe that probably 80 to 85 percent of the playa lakes in Texas would qualify under our existing Farmable Wetlands project, so we are not really, not having completely evaluated your proposed legislation, we are not really sure that it is really absolutely necessary. We are addressing the playa lake issue, as well as just the wetland issue in general, because a lot of folks do believe that our current CP23 Wetland Program, under general signup, and continuous signup, are a little bit too restrictive, along with, well, not general signup, but the continuous signup, and under the Farmable Wetlands, may be a little bit too restrictive, so we are trying to take a look at it to see if our wetland policies themselves need to be reevaluated.

Mr. NEUGEBAUER. I look forward to working with you on that.

Mr. LITTLE. Yes, sir.

Mr. NEUGEBAUER. Thank you.

Mr. LITTLE. Same here. Thank you.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. LUCAS. The gentleman thanks the gentleman from Texas, and one of the advantages of being the Chairman and having the gavel is the ability occasionally to ask a second round of questions, and since we have a rather limited membership, this should go fairly quickly. So, if you will indulge me, gentlemen.

Chief Knight, bring us up to speed on the upstream flood control dam rehab program, where we are in our great efforts to rehabilitate those watershed structures.

Mr. KNIGHT. As you know, sir, the rehab program has been extremely popular, and is driven, as you well know, by public health and safety issues. Very quickly, thumbnail sketch. Fiscal year 2004, we had requests for 131 dams in 23 States for \$49 million. We had \$29.6 million for this year, which allowed us to approve 77 projects in some 19 States. While we have only got a few years under our belt on the program, we do have some notable accomplishments from the rehab program. 118 rehabilitation projects are now funded in 20 States, 24 are already completed, 36 are authorized. That is in design and construction, and 58 are in the planning

stage, and on our website, we have got a more lengthy list of details for folks on everything that is out there.

As we look forward to continuing to implement this program, there is a couple of challenges out there. You clearly have more priorities than dollars. And we are selecting projects today primarily based off the threats to loss of life, and then, the commitment to rapidly be able to implement those projects, which really means is there the cost share capacity of the 35 percent match at the local level in the community, and that is a real challenge for some of the local communities, but they are responding in wonderfully innovative ways in helping to come up with the cost share, even in the shape of design and construction, to be able to move forward on that. And so, we are very excited about the program and look forward to continuing to implement it.

Mr. LUCAS. From the perspective of the NRCS technical staffing, how many additional resources could your technical capacity handle at the present time, Chief? And I realize challenges within all funding programs, but if the resources were available, how many dollars could you efficiently use in this coming fiscal year?

Mr. KNIGHT. In reference to watershed rehab, or the programs in total?

Mr. LUCAS. In total dollars on this rehab program, on these structures.

Mr. KNIGHT. Total dollars in rehab program. I would guess that we are probably fast approaching capacity with our existing infrastructure. With the rehab program, we are utilizing the same staff that have been implementing our other watershed programs, and we have an aging infrastructure. I also have an aging workforce. And so, I have been losing many of those folks to retirement, and in that context, I would see that we would continue to have that challenge as we move forward. At present, on rehab, we would have about 100 staff nationwide working on the rehab project. The TA costs associated with that would represent about \$30 million annually.

Mr. LUCAS. If memory serves right, Chief, the farm bill proposed something in the range of \$55 million for fiscal year 2005 for this purpose, and it is rumored that the appropriators perhaps, by undoing mandatory and reassigning the title, anyway, came up with a figure closer to \$30 million in their process. What was the Department's request? Do you remember?

Mr. KNIGHT. The departmental request was about \$10 million.

Mr. LUCAS. Well, obviously, this subcommittee needs to work harder in helping educate on priorities. But we will work on that. We will work on that. Mr. Little. Let us visit for just a moment about the CREP buffer strips that some of my colleagues have brought up earlier, where, as I understand it, it is possible to receive a CRP rental rate, a Federal bonus, and in some States, perhaps, a State bonus. Why, in your opinion, is it so challenging to get people to participate that we have to pay such dramatically larger amounts of money for CREP as opposed to regular CRP?

Mr. LITTLE. That is a very good question, sir. Number one, they are a little bit more expensive to install. The applications to enroll the CREP installations alongside the riverbeds, and to install the riparian buffers are a little bit more expensive. They take a little

bit more time. The planning is a little bit more intensive. And it is taking additional land out of production, so perhaps it is an issue with taking land, taking working lands and putting them into these buffer issues. But other than that, it is a complicated process.

Mr. LUCAS. It just seems that, to an observer, the process, that it is substantially more expensive from the technical assistance side to the rental rate side, to the incentive side, and probably it is something that we should look at in greater detail.

One last question to Chief. It has been observed to me by some of my folks who are interested in the pork industry that of the money going to EQIP, only about 3 1/2 percent of that wound up in programs that would be directly cost share programs that would be directly connected with the Nation's pork producers. Any particular reason that is the case, and if so, are we focusing on that attention a little bit?

Mr. KNIGHT. The price we are now paying of placing a lot more transparency to our programs is that the results of those are also very evident to the constituent groups.

Mr. LUCAS. As they point out in my town meetings, yes.

Mr. KNIGHT. Yes. We at NRCS were a little startled to see that while we spent 65 percent of the dollars in EQIP on livestock, that a surprisingly small percentage appeared to go to the pork industry, which is certainly facing some of the most stringent regulatory challenges that are faced out there. We have sat down with all the livestock industry to see how we are doing on things, have actually put together a 22 point plan to look at, and being able to address those things, from do we have the right standards and practices in place, which was the reason we made the change in the mobile equipment, to is there a bias in the system, quite simply, because we have a lot more experience with range management than we have with manure management.

And we are systematically going through things to see is it a matter of the backlog, are there biases in the system, and trying to make sure that we are making the best, most informed environmental decisions we make as we accept these contracts.

Mr. LUCAS. Thank you, Chief, and the Chair turns to the ranking member, Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman. Just one followup questions. Mr. Knight, thank you very much for coming to my office several weeks ago to meet with the representatives from the Pennsylvania Department of Agriculture, dealing with their concerns about proposed changes in farmland preservation formula, or rules and regulations. And I am just curious. How are the negotiations going? Are the friends in Pennsylvania cooperating, or where are we in the whole situation?

Mr. KNIGHT. We have a proposal before the folks in Pennsylvania, and the Deputy Secretary of Agriculture is coming in tomorrow to sit down with me, and I am hoping that we can continue to work forward on that particular issue.

Mr. HOLDEN. Well, thank you for your attention to that. As you well know, from our conversation and from your experience, we face tremendous developmental pressures in Pennsylvania, and we have been able to have pretty successful setting aside of acreage, with the help of your Department, but as well, with the State pro-

gram, which is very successful in the Commonwealth. So, thank you for your attention to that.

Mr. KNIGHT. Thank you.

Mr. LUCAS. Thank you, Mr. Holden. And for the last question for this panel, the gentleman from Kansas.

Mr. MORAN. Thank you, Mr. Chairman. I walked in while Mr. Neugebauer was raising questions about the opportunity to hay and/or graze CRP grass, and I only would reiterate what I think he said is the importance of that program in drought-stricken areas. I know Kansas and a number of counties have applied. The applications are pending. It is pleasing to me to learn that they are working with the Kansas Department of Wildlife and Parks, as well as Pheasants Forever and other wildlife organizations, to address the issue of timing and the hatch season, and I would be happy to have any response about where we are on this process in Kansas or generally, but mostly want to reiterate my hope that we allow our livestock producers that opportunity.

Unfortunately, again, in Kansas, perhaps for the fifth year now, the western third of the State is abundantly short of rainfall and moisture from snow.

Mr. LITTLE. Yes, sir. If I could just address the grazing issue in general. Under the managed haying and grazing policies that were put in place, were authorized by the 2002 farm bill, we have given the authority to the States to allow managed haying and grazing for up to 120 days, if it is outside of the nesting season. And that is for the grazing itself, and then 90 days for haying. They do have to have a managed plan that they themselves work out with NRCS, but we do give that prerogative to them.

If, outside of the managed haying and grazing, we also have authorized emergency haying and grazing, and have given to the State committees the authority to authorize, automatically authorize haying and grazing if they are a D3 or D4, which is exceptional or extreme drought conditions. And I do note that the Northwest area of Kansas does have a D3 drought. But the authority to go in and actually do the haying, and actually do the grazing, has to fall outside of the nesting dates, which in Kansas, I think, is July 1 or July 15, I am not sure which. For the other parts of the State that aren't under D3, if they are lacking in moisture or vegetation, they can come to headquarters, and they have done that, the State has requested authorization, and we are reviewing the request to make sure that it does meet the standards of 40 percent reduction in vegetation and 40 percent reduction in precipitation. But that still requires the actual haying and grazing to fall outside of those nesting dates.

The nesting dates, there has been some concern that farmers need to get their cattle into those areas, now, not until July 1. The issue that we are dealing with there is that the farm bill is fairly clear that we have to weigh the environmental benefits before we allow the farmers and the ranchers to go in on those lands. So, we are kind of in a catch-22, where we are realizing some economic issues with the farmers. We have the environmental issues that we have to look at as well. So we are, from the Department perspective, we are weighing those right now, trying to make a determina-

tion if we do have any flexibility. But we do have some legal requirements that we do have to meet before we do that.

Mr. MORAN. Mr. Little, let me make sure I understand. There is an opportunity for an exception to be applied to the nesting, the date on which the nesting period ends, and you can actually hay and graze in advance of that date under some circumstances?

Mr. LITTLE. Well, we haven't really made that determination as it stands now, because this year, we have—

Mr. MORAN. Nobody has been granted that exemption.

Mr. LITTLE. No.

Mr. MORAN. But there are some applications pending, and you are trying to determine what the right answer is.

Mr. LITTLE. Yes, sir.

Mr. MORAN. OK.

Mr. LITTLE. Yes.

Mr. MORAN. Thank you very much. I was out, a number of my USDA offices, and I was earlier this year. I think our county employees and those of you here in Washington have had a tremendous burden in implementation of the farm bill. I think USDA did an admirable job in its implementation, generally in a timely fashion, based upon the constraints and the circumstances that that farm bill arose. It was good to me to see the level of cooperation between NRCS and FSA employees in those USDA offices, and so I compliment you both for what I see your employees doing.

Thank you, Mr. Chairman.

Mr. LITTLE. Thank you.

Mr. LUCAS. Thank you, Mr. Moran. And the subcommittee thanks the panel for their indulgence and looks forward to our next interaction. You are now dismissed, gentlemen. Thank you.

Mr. LITTLE. Thank you.

Mr. LUCAS. And we would ask our next panel to come up, as they have an opportunity to, and invite Mr. Bob Stallman, president of the American Farm Bureau Federation in DC, Mr. Joseph Logan, president of the Ohio Farmers Union, from Ottawa, OH, on behalf of the National Farmers Union, Timothy Laatsch, environmental systems manager from Carlisle, IL, on behalf of a livestock coalition, Mr. Sherman Reese, vice president of the National Association of Wheat Growers, from Echo, OR, on behalf of the crop coalition, Mr. Kenneth Rose, past president of the National Grain Sorghum Producers, Keyes, OK. And you talked about the definition of the open country, Keyes is it.

And the Chair would like to take a prerogative, and adjust the panel slightly, because of our next panelists' time constraints. Mr. Craig Cox, executive director of the Soil and Water Conservation Society, from Ankeny, IA, on behalf of the Environmental Coalition. If you would care to join the panel, too, and facilitate your travel. You may begin.

STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, DC

Mr. STALLMAN. Mr. Chairman and members of the subcommittee, my name is Bob Stallman, president of the American Farm Bureau Federation, and we certainly appreciate the opportunity to provide

testimony regarding the conservation programs of the Farm Security and Rural Investment Act of 2002.

The commitment by agriculture to environmental protection and improvement is being shaped by dynamic forces and pressures at the local, State, national, and international levels. Local ordinances and lawsuits aimed at livestock farmers in suburbanizing communities, State enforcement of Federal water regulations, and international agreements that act to restrict the use of certain domestic support mechanisms for agriculture all have an impact on agriculture life, production, and policy.

Conservation programs are occupying an increasingly important role, both on the farm and in the formation of domestic and international agricultural policy as an effective means to cope with some of these outside forces. That role will grow even more important as U.S. farm policy shifts toward less trade-distorting forms of domestic support due to future trade agreements.

The historic voluntary incentive-based approach to conservation in agriculture is workable, flexible, and accepted by farmers. The growth of the conservation programs in the 2002 farm bill reflects the need and desire of the agricultural community and the public to improve environmental protection, particularly on working lands, in a manner that fits the conditions and needs of farming and ranching.

Conservation is a critical and enduring component of present and future U.S. farm policy. We need to support these programs with necessary funding and with the commitment to their success. I will now talk about some specific issues with a few of our many valuable conservation programs.

First, the Environmental Quality Incentives Program, or EQIP. We strongly support EQIP and the improvements for the program made by Congress in the 2002 farm bill. We believe EQIP should be available to all crop and livestock producers, and provide compliance assistance with implementation of Federal, State, and local environmental laws.

We are concerned that NRCS has not been monitoring EQIP projects or providing animal feeding operations with the assistance needed to meet their regulatory requirements. EQIP provided \$483 million in assistance to all agricultural operations in fiscal year 2003. Of the \$483 million, \$314 million was provided to livestock operations, of which only \$105 million was expended to help animal feeding operations. Of particular concern in this allocation of resources is the disproportionate burden regulations place on small and medium-sized operations, which are critical to the rural economy and our overall agricultural infrastructure.

Next, the Conservation Security Program, or CSP. During the debate on the 2002 farm bill, the Farm Bureau was a strong supporter of a new type of conservation incentive program. We believe agricultural producers must receive assistance to help defray the costs of ongoing environmental improvements and regulations. CSP should be available to all producers, and it should be funded and implemented as a nationwide program. We strongly believe that this program should be available to producers beyond a few targeted watersheds to be truly effective.

CSP provides producers additional conservation options for adopting and continuing practices to address air and water quality, soil erosion, and wildlife habitat. The program was designed to allow each participant the opportunity to meet his or her objectives, while also achieving the goals of the program. There is broad support for CSP within agriculture, and we look forward to a program that helps all of agriculture meet its environmental goals.

Finally, Technical Service Providers. If the farm bill conservation programs are to be successful, adequate technical assistance must be available. We recognize the challenges NRCS faces with limited staff for program delivery. It is critical that NRCS maintain the necessary career staff resources for program delivery. It will also be necessary to utilize Technical Service Providers to supplement those resources and ensure adequate delivery of needed services.

In conclusion, Farm Bureau appreciates the opportunity to offer our perspectives on the conservation programs of the Farm Act of 2002. These programs provide great opportunity for agricultural producers and great benefit to the non-farm public. We recognize the past accomplishments, present needs, and future promise of our conservation programs as a vital part of U.S. agriculture.

And I look forward to your questions. Thank you.

[The prepared statement of Mr. Stallman appears at the conclusion of the hearing.]

Mr. LUCAS. Mr. Logan.

STATEMENT OF JOE LOGAN, PRESIDENT, OHIO FARMERS UNION, ON BEHALF OF NATIONAL FARMERS UNION, WASHINGTON, DC

Mr. LOGAN. Thank you, Mr. Chairman. Mr. Chairman, Minority Member Holden, and committee Members. My name is Joe Logan, president of the Ohio Farmers Union, a diversified farmer from Northeastern Ohio, and we grow corn, soybeans, wheat, and graze some dairy cattle, and we have a small vineyard and winery.

The National Farmers Union represents over 260,000 independent, diversified, family-operated farms and ranches across the Nation. We appreciate the opportunity to appear before you today and discuss the conservation programs of the 2002 farm bill.

Our National Farmers Union policy, developed by our grassroots members, is very clear on the issue of conservation funding. We strongly support the funding for the soil and water conservation programs, and the necessary technical support to properly implement them.

We believe that the 2002 farm bill is a long overdue step forward in conservation funding, while providing new initiatives and expansion of existing programs. Like many of my Farmers Union counterparts, I am actively involved in making these conservation programs work. The 2002 farm bill singled out these programs for reauthorization and reform. First of all, Mr. Chairman, the Environmental Quality Incentive Program, EQIP, was given over \$5 billion in funding, and much thanks to your leadership, in increase, and to this date, has paid up, as my colleague just mentioned, over \$400 million in EQIP funding to 19,000 applicants.

The farm bill also has reauthorized the Wetland Reserve Program through 2007, increased an overall program acreage cap to

over 2 million acres, and also, the 2002 farm bill reauthorized the Conservation Reserve Program, and increased the ceiling for CRP over 39 million acres, adding more partnerships and services.

The good news is that conservation funding has increased, and Farmers Union worked very hard for these increases. The bad news is that funding for the necessary technical assistance to help our farmers and ranchers put complicated, complex conservation systems into operation has not kept pace with dramatically increased workloads.

As we see it, the demand for working lands conservation far exceeds the funding nationally. With respect to new conservation initiatives, Farmers Union enthusiastically supported the landmark Conservation Security Program. However, we are very concerned that the USDA has implemented its plan for implementing CSP in a severely restricted manner. By using the national watershed scheme to limit eligibility for the program, USDA is preventing, in our view, the implementation of CSP as a full-scale nationwide program, as written in the 2002 farm bill.

We also know that CSP suffers from a \$41 million budget cap for this year, but it is certainly true that the budget caps comes off at the beginning of the next fiscal year, and in October, the program should return to its 2002 farm bill status as a conservation entitlement program. We can only assume, however, that the USDA's proposed rule funding restrictions are intended to apply for the 2005 and future years, and we believe that this should not happen. It appears to us as though the approach taken by USDA is in direct opposition to the intent of the law, and will effectively eliminate CSP as a national comprehensive environmental program.

Congress made promises to farmers and ranchers when the bill was signed, and we urge Congress, and specifically, the oversight responsibilities entitled to the Agriculture Committees, to keep that promise. We urge the administration to heed the input of over 14,000 farmers and other citizens who wrote to USDA in response to CSP's proposed rule. The most comments, by far, ever received by USDA for a conservation program. The overwhelming majority of those comments rejected the restricted watershed approach, and include the low interest, or low payment rates. We fear that the current USDA approach will cause a divisive and nonproductive fight for funding between livestock producers and crop producers, among geographical regions of the country, and between working lands conservation versus nonworking lands conservation. That kind of a battle may well spell doom for CSP. Farmers and ranchers of the National Farmers Union do not want that to happen.

Importantly, we view CSP as a valuable tool for managing the balance of payments in the WTO green box, amber box, and red box categories. This latitude may prove critical for farmers and ranchers, as we respond to our international trade obligations.

If I could summarize our views, the 2002 farm bill has been called the greenest ever, and the National Farmers Union has worked hard for its comprehensive conservation approach. These important programs should be implemented the way Congress wrote the law. We are supportive of any efforts that you may take to ensure the original intent of Congress, when they were writing the 2002 farm bill, are carried out.

If specific programs are singled out to deny funding, the cloth that has woven together to get the support for the farm bill as a whole, by the inclusion of comprehensive conservation programs, may start to unravel. And what farmers and ranchers do not want is further delay in implementing the farm bill programs. We have heard dire predictions and, obviously, observed programs not being put into operation, and continued delays in rulemaking.

Mr. Chairman, we believe that the ongoing partnership between the agricultural producers and the Federal Government can resolve this issue that we have discussed today, and we look forward to working with you and your colleague. Thank you very much for your time. I look forward to any questions you may have.

[The prepared statement of Mr. Logan appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Now, Tim, before I mangle your last name again, the proper pronunciation should be?

Mr. LAATSCH. Laatsch.

Mr. LUCAS. Thank you.

STATEMENT OF TIMOTHY LAATSCH, ENVIRONMENTAL SYSTEMS MANAGER, THE MASCHOFFS, INC., CARYLYLE, IL, ON BEHALF OF NATIONAL CATTLEMEN'S BEEF ASSOCIATION, NATIONAL CHICKEN COUNCIL, NATIONAL MILK PRODUCERS FEDERATION, NATIONAL PORK PRODUCERS COUNCIL, NATIONAL TURKEY FEDERATION, AND UNITED EGG PRODUCERS

Mr. LAATSCH. Good afternoon, Mr. Chairman. Thank you. My name is Tim Laatsch. I work with approximately 100 family farmers that are producing hogs, in partnership with the Maschoff operation, based in Illinois. I am also a grain and livestock farmer, a certified crop advisor and registered Technical Service Provider with NRCS.

I am here today to provide testimony on behalf of swine, cattle, dairy, and poultry, including broilers, layers, and turkeys, collectively referred to as livestock in this testimony. First of all, we are very grateful to you and the members of this subcommittee for holding this hearing, and for this opportunity to share our viewpoints on the implementation of the conservation title of the 2002 farm bill. We cannot stress enough how important it is to our producer members for the conservation title to be implemented well and effectively, and we welcome your commitment to that same objective.

With regard to the Environmental Quality Incentives Program, livestock producers made it a top priority to work together during the 2002 farm bill process to ensure that EQIP was not only well funded, but also properly structured. We were and continue to be seriously alarmed by the water and air quality regulations being imposed on animal feeding operations, or AFOs. And while EQIP has been able to help a limited number of AFOs in 2003, we feel that more work needs to be done. While our written testimony goes into considerable detail on these items, I will just touch on a few highlights here this afternoon.

Item number one, NRCS should earmark and set aside EQIP funding at the State level for the specific purpose of addressing the

needs of animal feeding operations. Number two, producers seeking assistance with regulatory requirements should not be ranked lower, if they have otherwise done a good job of addressing environmental issues on their respective farms. Item number three, producers need and want comprehensive nutrient management plans, or CNMPs, and EQIP is simply not helping enough in that regard. If EQIP as a program can't be made to work for that purpose, then we would encourage NRCS to find another way or mechanism to get CNMPs in the hands of these producers. Item four, mobile or portable equipment which is critical for cost-effective manure management, must be made eligible for cost share assistance under EQIP, and we are encouraged to hear that Chief Knight has taken that initiative. Item five, AFO applications for EQIP assistance to install air quality protection and odor reduction technologies must be given higher priority and ranking. Item six, the Department should not exclude custom cattle feeders from EQIP eligibility. And finally, item seven, we support a budget resolution this year that would provide funds to CRP and WRP to pay for their own technical assistance, and we support authorizing legislation that would direct USDA to use those new funds for that specific purpose.

With regard to the Conservation Security Program, a number of members of the agriculture community were obviously excited by the enactment of the Conservation Security Program as part of the farm bill package. Our overall goal is to create a business environment in which our members can thrive, produce the food needed for America and the world, all the while protecting and conserving natural resources. CSP could definitely provide critical assistance toward that objective. Unfortunately, the CSP interim final rule sent the Federal Register last week has some real problems, and our particular concerns are as follows.

Item one, enrollment in the program should not be limited to a few select watersheds across the country. Item two, producers should not be required to have addressed significant water and soil quality concerns prior to enrollment in the program. Item three, all resource concerns should be accorded equal weight with soil and water. Item four, limits on feedlot participation in the program, for base payments, and for watershed selection should be eliminated. And finally, payment rates need to be increased to give producers genuine incentive to participate in CSP.

Grassland Reserve Program. Members of our group, particularly, the cattlemen among us, were among the principal drivers behind the creation of the Grassland Reserve Program during the farm bill process, and we were focused on the relatively simple and highly beneficial notion of keeping grasslands intact. In our opinion, the interim final rule has taken this simple concept and created something too complex and unattractive for many ranchers.

For example, the rule requires a producer to get a conservation plan, and that the grasslands be managed to a particular standard, and to the explicit benefit of soil, water, air, plants, and animals, none of which are called for in the original statute, since the immediate and most important threat is the simple loss of grassland itself.

In addition, the statute provides for the transfer of ownership of program easements and contracts to third party land trusts, a pro-

vision that opens the program to those producers who have never before participated in a Federal conservation program, because of concerns about transferring easements to or entering into contracts with the Federal Government. The rule does not allow for such transfers, and thereby creates a significant disincentive for these critical producers.

We applaud the efforts of NRCS to use Wildlife Habitat Incentive Program, or WHIP, in conjunction with other Federal and State efforts to help conserve sage grouse habitat, and avoid the need to list the bird. We fully support NRCS' efforts to continue to create a system that can fully and explicitly account for how technical assistance funds are being used by NRCS in support of its programs and missions.

Without such a system, it is becoming increasingly difficult to provide decision makers and policy officials with credible justification for why farmers need this assistance, and why funding for it should continue.

And finally, Technical Service Providers. We believe that NRCS and the administration are serious about making full use of TSPs, that they should pursue the most direct means of obtaining their services. We therefore strongly encourage NRCS to aggressively pursue the use of TSPs for CNMP development and other services by directly contracting with them for these purposes.

That concludes my statement, and I would be happy to entertain questions at the appropriate time. Thank you.

[The prepared statement of Mr. Laatsch appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Mr. Reese.

STATEMENT OF SHERMAN REESE, VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, ECHO, OR, ON BEHALF OF NATIONAL ASSOCIATION OF WHEAT GROWERS, AMERICAN SOYBEAN ASSOCIATION, NATIONAL BARLEY GROWERS ASSOCIATION, NATIONAL CORN GROWERS ASSOCIATION, NATIONAL COTTON COUNCIL, NATIONAL GRAIN SORGHUM PRODUCERS, U.S. RICE PRODUCERS ASSOCIATION, AND USA RICE FEDERATION

Mr. REESE. Good afternoon, Mr. Chairman, and members of the committee. My name is Sherman Reese. I am an Oregon wheat producer, and vice president of the National Association of Wheat Growers.

I am pleased to appear before the committee today presenting testimony on behalf of the National Association of Wheat Growers, the American Soybean Association, the National Barley Growers Association, the National Corn Growers Association, the National Cotton Council, the National Grain Sorghum Producers, the U.S. Rice Producers Association, and the USA Rice Federation.

Mr. Chairman, passage of the 2002 farm bill marked a giant leap forward in advancing private land conservation efforts in this country. At the bill signing ceremony, President Bush called it the single most significant commitment of resources toward conservation on private lands in the Nation's history. Thanks to your efforts, Mr. Chairman, and the members of this committee, successful programs such as EQIP and WRP were expanded, and CRP was con-

tinued under a slightly higher acreage cap. And new programs were created, Grassland Reserve Program, which can enroll up to 2 million acres to restore and improve natural grassland, range, and pastureland, is designed to protect land from conversion to non-agricultural uses.

The other new program, the Conservation Security Program, has been one of the most anticipated programs of all the title II conservation programs authorized in the 2002 farm bill. A working lands program designed to reward those producers who had been engaged in the state of the art conservation practices, in addition to providing financial incentives to encourage all producers to upgrade their conservation practices. However, when the draft regulations were published, the program outlined appeared to be far different than the program suggested in the statute.

Unfortunately, little has been changed in the final interim rules recently announced. This is due, in part, to the complexity of the program and the changing directions from Congress. While we don't fault NRCS or USDA, in fact, we commend them for grappling with such a difficult issue, these proposed regulations, with priority watersheds, enrollment categories, ranking within enrollment categories, and unwarranted reductions in base payments and cost share amounts, are designed to limit participation rather than encourage participation.

Some have suggested that a person is more likely to win the lotto than to become eligible to participate in the CSP program. And this is because the administration, by their own admission, is viewing this as a capped entitlement program with limited resources to meet an enormous demand. However, beginning in fiscal year 2005, CSP will be returned to its original design, as an uncapped, mandatory spending program.

To remain faithful to the program signed into law by the President in 2002, the unnecessary eligibility restrictions should be removed. My farming operation is in one of the 18 priority watersheds recently announced. If I, or one of my neighbors, fails to qualify for the program because of any number of additional arbitrary eligibility restrictions, we would be unable to participate again for at least 5 to 7 years. I believe this sets the program up for failure.

Aside from CSP and the larger conservation picture, there remains a problem with how conservation technical assistance is accounted for, with the cost of CRP and WRP being paid for by every other conservation program. This needs to be changed to ensure that each conservation program pays for its own technical assistance. We know you have introduced legislation to correct this, Mr. Chairman, and we are very appreciative of your continued efforts.

Finally, we would hope that funding disbursements for these programs, particularly CSP, be administered through the Farm Service Agency, as they are best suited to handle program payments of this nature. For future conservation program considerations, you may want to examine how each individual program currently fits together, and then look to a program like the Conservation Security Program to provide base funding and the means to gain access to more specialized programs like EQIP, or the Grassland Reserve

Program, the Wildlife Habitat Incentives Program, depending upon the producer's environmental and production needs.

In summary, Mr. Chairman, these are the most important principles that should remain priorities as implementations of the new farm law continues. One, we believe each conservation program should pay for its own technical assistance. Two, we believe the Conservation Security Program should be implemented and funded as originally intended by Congress in the 2002 farm bill.

Three, finally, we will continue to oppose any attempt to amend, alter, or divert funding away from farm bill programs as authorized by Congress and signed into law by the President nearly 2 years ago.

This concludes my statement. I will be happy to answer any questions.

[The prepared statement of Mr. Reese appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Mr. Rose.

STATEMENT OF KENNETH ROSE, PAST PRESIDENT, NATIONAL GRAIN SORGHUM PRODUCERS, KEYES, OK

Mr. ROSE. On behalf of the National Grain Sorghum Producers, I would like to thank my Congressman from Western Oklahoma, Chairman Lucas, for holding this hearing and allowing us the opportunity to discuss the conservation title of the farm bill and its impact on the sorghum industry. My name is Kenneth Rose. I am the past president of NGSP, and I farm about 4,600 acres in the Oklahoma panhandle. I raise grain sorghum, wheat, and run cattle.

If you will look at the chart over here to my right, I farm in a region of the country that receives less than 20 inches of rain a year. As you can see on the chart, the yellow colored areas of the map are those that receive less than 20 inches of rain a year, which is basically the grain sorghum belt.

As NGSP has said in previous testimony before the House Agriculture Committee, sorghum is known as a water sipping crop, since it uses one third less water than high water use crops. Because it is naturally adapted to this region, the risk of raising sorghum is far less than the risk of raising high water use crops.

Again, if you will refer to the chart, high water use crops, located in the green areas, are moving into the semi-arid or yellow areas, resulting in increased water consumption. Since 1985, 5 million acres of this land has left sorghum production and gone into higher water use crops in this semi-arid region. While not all of the acreage losses can be attributed to farm programs, government policy has played a significant role in the decline of sorghum acres. Questions have been asked today, earlier, regarding increasing CRP acres in drought-stricken areas. I would like to suggest that the low water use crops, such as grain sorghum may be appropriate in these areas, rather than to remove them from agriculture production.

The High Plains is currently suffering from an extreme drought, which is having a significant impact on the amount of groundwater available for agriculture and non-agriculture use. Water quantity issues will continue to grow in importance and urgency as non-agri-

culture users compete with agriculture in the sorghum belt, and the demand for water increases.

This is a very complex and sensitive issue, which conservation programs need to deal delicately with, since tensions between water users seem to change daily. Ness City, in Western Kansas, has had to drill 15 wells to supply a town of 1,200 people with water. Dennis and Perryton in the Texas Panhandle are currently negotiating for water rights for anticipated future needs. Of real concern is the small rural communities and farmsteads that do not have the fiscal resources to buy water rights and build pipelines, as water tables decline. According to the Texas High Plains Water District, the region has seen groundwater levels drop by an average of 13 feet in the past 10 years. It is not difficult to find places where the water levels have dropped 30 feet in the past 10 years. NGSP applauds this committee for creating the Ground and Surface Water Conservation Program as part of the EQIP.

Chief Knight testified earlier today to the significant response to this program. However, it is disappointing to see that many of these projects have not been funded. We would encourage more adequate funding, so that these water conserving projects can be accomplished.

Improvements in water irrigation efficiencies have allowed producers to stretch their irrigation needs, their irrigation waters. Unfortunately, this does not necessarily translate into less total water usage. Our members tell us that more efficient irrigation technologies actually leads to an increase in overall water use, because they simply add more irrigation systems. We believe that the best way to conserve water is to extend the useful lifespan of our fresh-water aquifers, is to lower the amount of water used within an agricultural system, not just to improve irrigation delivery technologies.

Our rural communities and individual farmsteads are totally dependent upon groundwater to continue to thrive on the High Plains. I am a fourth generation farmer, on what will soon be a centennial farm. By extending the water adequacy of the High Plains region, I hope there will be more generations to follow.

In conclusion, Mr. Chairman, NGSP encourages this subcommittee, the Agriculture Committee, and USDA to keep water quantity in mind in future conservation policy debates. More needs to be done, and can be done, with current conservation programs, to help with water quantity issues in the semi-arid agricultural districts, many of which are represented here today.

We would like to thank you and the members of this subcommittee for the opportunity you have given us to present the organization's review of the conservation title of the Farm and Security Rural Investment Act of 2002. NGSP supports this farm bill, and appreciates the committee's support, and will be answer any questions.

[The prepared statement of Mr. Rose appears at the conclusion of the hearing.]

Mr. LUCAS. Mr. Cox.

STATEMENT OF CRAIG COX, EXECUTIVE DIRECTOR, SOIL AND WATER CONSERVATION SOCIETY, ANKENY, IA, ON BEHALF OF AMERICAN FARMLAND TRUST, CENTER FOR SCIENCE IN THE PUBLIC INTEREST, DEFENDERS OF WILDLIFE, ENVIRONMENTAL DEFENSE, HENRY A. WALLACE INSTITUTE FOR AGRICULTURAL AND ENVIRONMENTAL POLICY AT WINROCK INTERNATIONAL, MISSISSIPPI RIVER BASIN ALLIANCE, NATIONAL WILDLIFE FEDERATION, SOIL AND WATER CONSERVATION SOCIETY, SIERRA CLUB, SUSTAINABLE AGRICULTURE COALITION, AND UNION OF CONCERNED SCIENTISTS

Mr. Cox. Mr. Chairman and members of the committee. Thank you so much for the opportunity to appear before you today, and thank you in particular to accommodating my increasingly problematic schedule by getting me on this panel.

My name is Craig Cox. I am the executive director of the Soil and Water Conservation Society. Today, however, I am representing a coalition of 11 agriculture, conservation, and environmental groups, all of whom are vitally interested in the implementation of the conservation provisions of the 2002 farm bill. We are vitally interested, because the opportunity you created for taxpayers, producers, and the environment in 2002 is simply too good to miss.

Our written statement details a number of recommendations that, in sum, we hope will help all of us seize this opportunity you have created, and let me touch on a few of those now, in four main areas, funding, technical assistance, the Conservation Security Program, and environmental performance.

In regard to funding, I couldn't do more than simply echo and reinforce the comments you have made previously, Mr. Chairman. The investment you made in conservation in 2002 was stunning. It was historic in proportions, but it appears to be in peril. Conservation programs have taken cuts every year since the bill was passed. The President's budget proposes additional cuts, and action by your colleagues last night appears to have cut the conservation budget below even what the President had recommended.

These programs simply can't pay off for taxpayers unless we pay up in terms of the budget that you anticipated. We are very fearful that we have begun a slow and steady retreat from the legacy that you created when you authorized the 2002 conservation title, and we would urge you to communicate directly with your colleagues on the Appropriations Committee to help them understand the damage that they are doing to your legacy. These cuts in budgets are particularly troubling at a time when, thankfully, commodity prices are adding to farmers' bottom line, but is eroding your bottom line, in terms of baseline for this committee, and full funding of conservation programs, I think, is a good way to shore up that baseline.

In terms of technical assistance, again, I can do no more than echo and reinforce your comments, Mr. Chairman. The current situation regarding technical assistance is unacceptable. It is somewhere around \$100 million annual tax on producers, that should be going to assist them with conservation. Now, we make several recommendations, or provide options for how that might be fixed, and we would stand ready to help you fix that problem. In fact, we

would be happy to be in that room you designated that you may have to put people in to get the problem fixed.

A short term fix is urgent, but we would also urge you to look for a long term situation. We would urge you to ask the Department of Agriculture to put forward a budget and a strategic plan for building the technical services infrastructure that agriculture requires in the 21st Century. I think, if my memory serves me right, we have talked about water quality, water quantity, wildlife habitat, invasive species, air quality, a number of other issues have come up around this table this morning. That requires a dense and rich technical infrastructure, which we don't have, and has to be built.

On the Conservation Security Program, it is one of the most innovative provisions you created in 2002. All of us that I represent think the most urgent thing right now is to go ahead with the signup, despite the limitations in budget and the limitations in the rule, but going forward, we would urge you to do at least two things. One, make sure the program is not capped, and two, insist the administration write a rule that is consistent with the program's entitlement status.

On environmental performance, your 2002 bill recognized that environmental management is now central to the commercial viability of agriculture. Probably one of the most lasting legacies from your effort in 2002. These programs simply have to pay off for taxpayers in a better environment, and we urge you to take a number of steps detailed in our statement, regarding enhancing the environmental performance of those programs, which we fear is at risk.

In sum, much good has happened since 2002. The basic provisions are in place. Conservation activity has accelerated. Now, I think it is incumbent for all of us to go beyond the basics, and really realize the full promise of what you created in 2002.

Thank you, again, Mr. Chairman and members of the committee.

[The prepared statement of Mr. Cox appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you, Mr. Cox, and I would note for the record, I believe you may have to leave at any moment, and if and when you have to leave, Mr. Ferd Hoefner will be certainly welcome to take your place to participate in the question and answer session, if your schedule requires that.

First, let me turn to the whole panel. Let us visit for a moment about one of the topics that several of my colleagues brought up here, and that is the 22 million acres of CRP that is projected to come out of the Conservation Reserve Program in 2007, 2008. And this is a question addressed to anyone the panel or all who would care to answer it. But how do you suggest we deal with that substantial amount of acreage? All the way from reenroll to cancel the program. Lots of option.

Mr. REESE. I will take a stab at it. I really think that you should look at a reenrollment. A lot of it is set up as a conservation program. A lot of those acres, at least in my part of the country, which is semi-arid, are pretty fragile. And I think it would do a disservice to the intent of the program to simply allow those acres to come back out. Even with the technology that is available today, they are better left where they are. The wildlife enhancement, the water

quality enhancement, the air enhancement, are all benefiting by those acres.

Mr. STALLMAN. Well, we would agree the reenrollment option would seem to be the best. CRP has provided significant conservation benefits to soil and water quality, wildlife habitat, highly erodible land, reducing the effects of that. It will be a challenge, though, to come up with the resources to do the reenrollment, but we think that is much preferable to trying to cancel the program, and we think the benefits justify it.

Mr. COX. Well, I think, representing the groups that I represent, that this reenrollment is probably one of the most stunning opportunities to enhance the performance of the Conservation Reserve Program. The program has already produced tremendous environmental benefits to soil, water, and wildlife. I would think we would want to take this opportunity using the improved environmental benefit indices that the Department has put in place, to make sure that whatever acres are reenrolled, are delivering even more to the environment and producers and taxpayers than they are today. And perhaps, even opens the opportunities for additional producers to participate in this program, that have not had the chance up to now.

Mr. LUCAS. After all, CRP by its nature is a very controversial area. As you all know, in the rural communities, and for every constituent who would like to have his or her place in the program above the 25 percent limit in any community, there are Main Street businesspeople, there are school administrators, there are the individuals who depend on the population in rural America, who are just as intense and focused in the other direction. So, it will be a lively topic, and I can see where I understand the creation of the predecessor, the Soil Bank, and I also understand why the Soil Bank went away in the early '60's. About the same time, Mr. Moran, a number of colleagues' districts went away at that time, too, because of the population shifts.

Next question. Let us talk about CRP, gentlemen, CSP for a moment. One of those programs in the 2002 farm bill, extensive hearings on the Senate side, little discussed on the House side, came together as a part of the conference committee report for the farm bill, a bill that as you noted by my comments at the very beginning, in a time when we have great difficulty even funding the fundamental, basic conservation programs out there. I mean, after all, when upstream flood control, which in an effort to make sure the money would continue to be there in the 2002 farm bill, we went from appropriated dollars over to mandatory dollars, and set a target for this coming year of \$55 million. We managed only to get \$10 million in requests out of the administration. Our good friends on appropriation turned the mandatory into discretionary, changed the number from \$55 million to \$30 million, and that is a program that saves lives and does an incredible amount of long-term protection of the environment, and to human property.

If we have those kind of challenges, then how in the world are we going to persuade our friends, the bean counters, on both sides of this complex, so to speak, to allow CSP to be a nationwide program available to everyone who could qualify, for the full benefit that the program implies. And when I throw up that \$10 billion a

year figure, that is a wild and intense number, but if you look at the program, if you look at how innovative our neighbors are back home in utilizing programs that benefit them, the \$10 billion number is not reasonable. How do we in good faith say that we can come up with the money to maintain it as a mandatory program with that kind of wide open enrollment?

I guess my question is, and sometimes, Members of Congress have a difficult time getting to the question mark in question, are you willing to work your posteriors off to live up to the commitments, the statements you have just made about CSP?

Mr. COX. Yes, sir.

Mr. LUCAS. Do you really think you can come up with that \$10 billion out of my colleagues every year, from now until the end of time? Adjusted for inflation, of course.

Whoever would care to touch on the subject of CSP. Mr. Stallman.

Mr. STALLMAN. You have presented the major challenges that exist for broadening the CSP, making it nationwide, allowing all producers to participate.

But I want to look at a little more futuristic and bigger picture. When you look at what is happening with international trade negotiations going on with respect to agriculture, when you look at the structure of those agreements and look at where it appears they are headed, in terms of our traditional, so-called amber box domestic supports, we viewed CSP as an opportunity to create a program that could, if necessary, transition us out of our structure that we have now, with out domestic support programs over time.

I think we are going to be on a learning curve with the Conservation Security Program. I think that is why it is important to get it out, get it started, find out what the interest is in it. I suspect it will be high. But longer term, I think we need to view it as an alternative to maybe the way we have done things in the past, and that is why I think it is critically important.

We do have to get some information, though, to figure out what the budget costs will be. We do have to figure out how to meet those budget costs at some point. But I think this is a learning process we have engaged in.

Mr. LUCAS. Well, Bob, I can't help but think about my colleague from North Carolina's comment about having to do whole farm planning in an effort to qualify for some practice. How not all of his constituents thought that was necessary or appropriate. We are explaining to the constituents out there, I assume, that to fully maximize your benefits under the program, that it does entail whole farm planning, that it does entail meeting the definition of conservation by whichever USDA happens to be in control at the time the process is implemented, or the contracts or competed for, or the applications are made.

We are taking time, aren't we, gentlemen, to explain to our constituents that this is not just a dollar sign, but this entails a tremendous shift away from traditional, voluntary conservation, in that you will have to participate fully to maximize your benefit, and it shifts away from the traditional definition of conservation in providing resources to enable people to do things that are economically not practical in the short or intermediate fashion. This dra-

matically changes the whole process. We are explaining that to the folks back home with CSP.

Because you are the representatives, generally, of elected bodies of trade organizations and farm groups that represent mom and dad back home for real. Mr. Logan.

Mr. LOGAN. Yes, Mr. Chairman. First of all, I think that is a very astute notion. These are a very unique program that does indicate, does indeed indicate a shift in thinking. I think it gives us an opportunity to embrace a lot of things that are happening back in our local communities that are very innovative in nature, in terms of the whole way that people look at agriculture, and try to reincorporate conservation as an essential quality of agriculture, back in that.

I would also like to concur with my esteemed colleague, Mr. Stallman, about the nature of the future of agricultural programs, with regard to world trade authority, and the various colored boxes involved there. I think this is an excellent opportunity for us to leave a door open that we may desperately need in future years. So, we are very much willing to be an advocate in the education and leadership process that you have challenged us for.

Mr. COX. Mr. Chairman, if I could make a remark. I do think that the unique features of the Conservation Security Program are being communicated, at least from where I sit in the Midwest. In fact, I would argue that it is those very unique features that is creating most of the excitement around the Conservation Security Program.

I think producers that I talk with are looking for new options. They are looking for a different kind of conservation program. They are looking for a different kind of commodity program, frankly. So, I do think that is being communicated. I do think there is excitement about a new option like CSP, in the mix of programs that producers can take advantage of.

Mr. LUCAS. Well, we have to be honest with our constituents. If, in the ideal circumstance, under what you all have advocated in your testimony, it was nationwide, it was fully funded, it was mandatory. So that those producers could calculate the economic benefit of their farming practices meeting the standards set by USDA at the time, that stream of payments, then, at the next farm sale, will become a factor in the price of land, and we will see that income improvement be a short-term thing. I mean, that is just the nature of the way things are. Let us face it. The best economist in the world, and no disrespect to USDA or all the land grant universities, or University of Chicago. The best economists are still those older ladies and gentlemen with their pencils at the feed store, calculating the programs day by day. They understand how to assess the return to this, and they will factor it in instantaneously almost. I never cease to be amazed by their efficiency. And we will see, if we engage in this program over the long haul, we will see this factored in. I can see, in areas where you have good soil, you have good climate, for instance, not in particular, but instance, good corn land in Illinois, or Iowa, or Indiana, where you have got drainage tile challenges, and you have got all of these different factors to deal with. I could see substantial payments. But that will be

factored in to the price of the farm at the first sale after the program is fully implemented. Anyway.

And I suppose, in truth, the thing that fires me up so much about this is having worked now for a decade, so hard, to try and fund the existing programs, and still not able to do it, and to launch into something that I see that could so dramatically change, perhaps positive, perhaps not so positive, production agriculture out there, it causes me to be extremely concerned and brings out my cautious nature.

Now, I turn to the ranking member from Pennsylvania, Mr. Holden, for his questions.

Mr. HOLDEN. Thank you, Mr. Chairman. Mr. Cox, as you probably noticed in my previous comments, I have a strong interest in farmland preservation, and I believe in your written testimony, you state that certain policy guidances threaten to limit participation in this popular program.

I wonder if you could elaborate on your point of view on that.

Mr. COX. That point of view was expressed strongly by many of the members of the organizations that I represent. I think the concern is in a number of fronts. One, there was a strong feeling that the experience and knowledge of local farmland protection programs, and the people involved in those local farmland protection programs, was not being considered by NRCS when it wrote regulations for the new program, or implemented the new program.

Now, there was concern about some of the requirements that were being placed on farmland protection easements, or for local farmland protection programs, that folks feel actually are counter-productive to getting the right lands into the program. This is not an area of my expertise, so I can not speak in great detail about that program, but I would be happy to follow up with you, if I can.

Mr. HOLDEN. Yes, it is probably a regional problem, if you could follow up on that.

Mr. COX. I would suspect so. I think part of the beauty of the Farm and Ranchland Protection Program was the ability to tailor it in large respect to the local conditions.

Mr. HOLDEN. Well, I have been working with Mr. Knight on that, as you probably heard earlier, so I just wanted your insights. So, thank you. Mr. Laatsch, on a similar program. In your testimony, your written testimony, you say that your members are not comfortable selling an easement that will be held by a government entity. Maybe you could explain that in more detail, and who you would suggest should hold the title, or should hold the easement.

Mr. LAATSCH. I will, first of all, confess to not being very well versed in that particular subject matter. That, I believe, is a viewpoint put forward by the cattlemen. And I guess I don't have a great deal of comfort in answering that question, but I would be happy to follow up for the record.

Mr. HOLDEN. OK. I would appreciate that, because I am just curious to who could hold the easement, if it is not going to be a government entity. Thank you, Mr. Chairman.

Mr. LUCAS. Thank you, Mr. Holden. I think one of the concerns on those sort of issues is that an entity might come in, acquire their property, sell the easement, harvest the value added, and then that would be gone, but that is just one of those issues.

The committee wishes to thank the panel for your insights and your observations. And you are dismissed, gentlemen.

We would like to invite our third panel to the table. Mr. Bill Wilson, president-elect of the National Association of Conservation Districts, Kinta, OK. Mr. David Harms, president, Crop ProTech, Bloomington, IL, on behalf of the Certified Crop Adviser Program and the American Society of Agronomy. Mr. David E. Nomsen, vice president of governmental affairs, Pheasants Forever, Alexandria, MN, on behalf of the Wildlife Coalition.

Mr. LUCAS. As I remind my constituents at home, when they invite me to do events during the week when we are in session, that those votes are the most important thing we do. And your indulgence and patience while we were voting was and is appreciated.

And whenever you are ready, you may begin, Mr. Wilson.

STATEMENT OF BILL WILSON, PRESIDENT-ELECT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS, KINTA, OK

Mr. WILSON. Thank you, Mr. Chairman. The 3,000 conservation districts and 17,000 district officials in our 3.2 million cooperators that I represent here today strongly support voluntary incentive-based approaches to private working lands conservation, and that is the backbone of our reason for being, I think, and certainly our niche.

I would like to take this opportunity to thank this subcommittee for your strong leadership and vision in developing the conservation title of the farm bill, and your continued support in making sure that these provisions are carried out. Certainly, my member districts have been involved with conservation programs from the very beginning, and in fact, they still show a high interest in implementation, and many are assisting as technical service providers in this—as we implement these programs.

They have, and we have, a concern about the budget requests for the farm bill conservation programs, and that has been mentioned by a number of the witnesses that we have heard from here today. So, I won't get into any depth on that, on the particular numbers, but just suffice it to say that we are concerned about the decrease in support that we are seeing for funding for these programs as we go through implementation.

A couple of things I want to point out, is that the budget request provides limited discretionary, and no CCC funding for small watershed rehab program, and that is a real concern that our members have, because most of them are local sponsors of watershed projects.

And another concern we have is in the FLEP program, the request cancels the remaining \$70 million available in that program, and in fact, the House Interior bill actually repeals the program, and I think we have heard something about that this morning.

In the technical assistance issue, regarding WRP and CRPs, we strongly support the budget resolution that has been passed by the House and is being considered in the Senate. The language to encourage follow through on the technical legislative fix, and add CRP and WRP to the list of programs that is not subject to the section 11 cap.

We heard the Chief talk about the NRCS, had released the GRP interim final rule next month, and the President's budget request would essentially draw down all the remaining funds that is available for that program. GRP has been very successful, and we encourage the committee to look favorably upon extending GRP's authorization, and extending its funding.

The CSP program, I will touch on that just briefly. The targeted watershed approach is too limited, in our view. And the rule is very restrictive in the way payments would be made. And there has been some discussion about the technical assistance, 15 percent not being enough. We disagree with USDA, and we think that if that rule was written, to implement that program the way the law says, that 15 percent would be enough for technical assistance.

The decisions, the important thing maybe here today at this hearing is the decisions on those issues will have a major impact on whether or not the program is seen as rewarding good stewards and providing the incentives that make it worthwhile to participate. And now that the funding cap has been lifted, the rule needs to be constructed to support CSP implementation as a true nationwide program, and you had had some discussion with the previous panel about that issue. So, maybe enough said there, but certainly, talk about the TSP and the workload issue now with NRCS. These programs have generated, or increased the workload for NRCS and its partners, and they are struggling with current personnel caps, to get people on the ground to do the work.

But I would remind us that the Congress, as you wrote the legislation, instructed NRCS to see that the work gets done, and it doesn't necessarily tell them that they have to do it with, if you will, government employees. So, we are excited about the opportunities, and our members are excited about the opportunities they might have to participate as TSPs in this area. Now, I will be careful to remind us that technical service doesn't come free, regardless of who provides it. It still has to be paid for, but we are excited. Our members are very excited about the opportunities that that may present.

So, as we move closer to the 2002 farm bill, and you guys may not be even ready to talk about the 2007 farm bill. I am, but we are already starting to think about that, by the way, and so, we certainly would like to see that these programs are carried out in a way that we continue to have strong support across the Nation for the conservation title, and so, with that, I will close my remarks, and would respond to any questions that we have time for.

So, thank you, Mr. Chairman.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you, Mr. Wilson. Mr. Harms.

STATEMENT OF DAVID HARMS, PRESIDENT, CROP PROTECH, BLOOMINGTON, IL, ON BEHALF OF THE CERTIFIED CROP ADVISER PROGRAM AND THE AMERICAN SOCIETY OF AGRONOMY

Mr. HARMS. Good afternoon, and thank you for the opportunity to speak with you today about the Technical Service Provider program. My name is David Harms. I am president of Crop ProTech,

Inc, an agricultural consulting firm based in Bloomington, Illinois. I am a certified crop adviser and certified professional agronomist. I am also a registered Technical Service Provider with the USDA-NRCS.

Mr. Chairman and members of the committee, I am here speaking on behalf of the American Society of Agronomy, the Certified Crop Advisor Program. There are approximately 14,000 CCAs throughout the United States and Canada. CCA is the largest agriculturally-oriented certification program in the United States. Each CCA must pass two comprehensive exams covering nutrient management, soil and water management, integrated pest management, and crop management, as well as earn 40 hours in continuing education every 2 years in these same areas.

CCAs have a Memorandum of Understanding with the NRCS recognizing them as Technical Service Providers in nutrient management, pest management, and tillage practices.

We are here today to discuss how the Technical Service Provider program is functioning. We have included comments from CCAs from across the country in our written testimony. When asked how they would rate the satisfaction with the overall TSP program, 40 percent were satisfied, 60 percent were unsatisfied. In general, there has been a lack of information, leading to the misunderstandings that resulted in frustration by those who were trying to register as TSPs. The biggest challenge for those that are TSPs is lack of funding for technical assistance and promised payments that have not yet materialized.

Overall, funding is only a part of the problem. How it is distributed is a bigger challenge for the private sector. Very little funding has reached the private sector agronomic TSP community. To use USDA's numbers, in 2003, less than 5 percent of the \$23 million was disbursed to private sector for profit TSPs, with the balance going to traditional NRCS organizational relationships. Much of this was credited to the short timeframe between when funding was allocated and actually released. We are told that the request for technical assistance by the Department is \$40 million, with a minimum of \$30 million for 2004.

This increased funding help, but the challenge for the private sector TSP is how the funding is distributed. The Not To Exceed rates were released with very little explanation, causing much confusion on how they actually worked. The process needs to be simplified and clearly explained. We commend USDA on recent attempts to do that, and to update the Not To Exceed rates later this summer. The current rates are viewed as unrealistic in many rural locations. We would strongly recommend the USDA to use both private and public sector entities' examples when setting these rates.

The distribution of technical assistance funds in cooperative and contribution agreements is not available to for profit, private sector entities. How can a private sector entity compete with a public sector entity, or a not for profit entity that is able to develop cooperative or contribution agreements with USDA. It can't.

Congress' intent, in our opinion, was to provide additional and alternative resources of technical assistance for landowners to meet environmental demands in a timely manner, through the TSP program. It still has that potential, but has not been realized, due to

the current level of frustration in how funding is distributed to private sector entities.

One suggestion for improving the distribution of funds would be to designate a percentage of the overall technical assistance funds to cropping systems, and clearly state what portion is for private sector TSPs and public sector TSPs.

To date, the TSP program has not measured up to its potential. There is a high level of frustration, as is documented in our survey. The private agronomic consulting TSP sector is losing much of its earlier interest and desire to be part of the TSP program. Some say this was the intent, and that is why there are so many obstacles or lack of general information. There are many examples where positive working relationships have been established between NRCS, conservation district staff, and CCAs from the private sector. CCAs would like to continue to build on these positive relationships, and work to improve the TSP program, but we can't do that alone. It will be very difficult to make progress in this area, if the process is not streamlined and funding distribution challenge improved.

Thank you again for allowing the American Society of Agronomy's Certified Crop Advisers to have time on your agenda. We look forward to working with you and to make this the program Congress intended it to be.

I would be happy to answer any questions when the appropriate time comes.

[The prepared statement of Mr. Harms appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. Mr. Nomsen.

STATEMENT OF DAVID E. NOMSEN, VICE PRESIDENT, GOVERNMENTAL AFFAIRS, PHEASANTS FOREVER, ALEXANDRIA, MN, ON BEHALF OF ARCHERY TRADE ASSOCIATION, BOONE AND CROCKETT CLUB, BOWHUNTING PRESERVATION ALLIANCE, CONGRESSIONAL SPORTSMEN'S FOUNDATION, CONSERVATION FORCE, DALLAS SAFARI CLUB, DELTA WATERFOWL, DUCKS UNLIMITED, FOUNDATION FOR NORTH AMERICAN WILD SHEEP, IZAAK WALTON LEAGUE OF AMERICA, NATIONAL WILD TURKEY FEDERATION, NORTH AMERICAN GROUSE PARTNERSHIP, PHEASANTS FOREVER, POPE AND YOUNG CLUB, SAFARI CLUB INTERNATIONAL, TEXAS WILDLIFE ASSOCIATION, THE INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES, THEODORE ROOSEVELT CONSERVATION PARTNERSHIP, WILDLIFE HABITAT COUNCIL, AND WILDLIFE MANAGEMENT INSTITUTE

Mr. NOMSEN. My name is Dave Nomsen, and it is a pleasure to be here this afternoon. I am the vice president of governmental affairs for Pheasants Forever, and reside in Alexandria, MN. I appreciate the opportunity to be here today. I also appreciate the opportunity to speak on behalf of 21 of our Nation's finest wildlife conservation organizations, and present their collective views today.

Collectively, our members and supporters represent a sizable cross-section of our Nation's citizenry, and we appreciate the increased role and importance of conservation in agriculture and its role in private land stewardship that has led to consensus and

partnerships among government and private interests, including commodity groups, individual producers, livestock organizations, and of course, the wildlife conservation community.

In particular, the Conservation Reserve Program. No program in USDA history has done more for landscape level conservation of soil, water, and wildlife habitat on farmland, while offering producers a significant and stable source of income, than CRP. It is our view that CRP should continue as the USDA's flagship conservation program, be reauthorized with a focus on enhancing and expanding the existing CRP wildlife legacy.

Mr. Chairman, I have appreciated listening to the discussion and the concerns about what happens in 2007 and 2008, when an additional 22 million acres of CRP expires in a 1-year period. We are very concerned about that right now, and our top priority right now is to encourage the administration to do more than it has done to date in this area. I appreciate the fact that they are going to study it and take a look at it, but in our view, CRP has a proven track record. It has been an incredibly successful program, and we are encouraging the administration to step forward now, and tell producers what their options will be, and what the future program will look like. Will it be reauthorized and continued into the future. Expiring contract holders, sportsmen, sportswomen, and all of those concerned about conservation need to hear that information now.

We are also going to continue to work with the agencies, the Farm Service Agency and the National Resources Conservation Service, on areas related to CRP. CP23 is a wetland restoration practice and we are encouraging changes to eligibility, so that we can do more farmer and wildlife-friendly wetland restoration practices. For example, Texas playas was brought up as a good example. This would be a great practice to do those types of restorations with. We are interested in expanding the eligibility beyond 100-year floodplains, so that we can help farmers and landowners that have wetland related programs, say in the depression areas of the upper Midwest and in lake States, that they have opportunities to help them with some of their nuisance spots in farming and do good things for wildlife. So, we are going to continue to work with the agencies in the area to refine CP23 requirements, and we are also going to encourage the Department to move forward and announce new buffers for Bobwhite quail initiative, another practice that could be very successful farmers do good things for wildlife out there.

In our testimony, you are going to find additional comments about all of our other favorite conservation program acronyms, from EQIP to WRP, the Grasslands Reserve Program, and of course, WHIP. Please take a look at those, and we would be happy to discuss further any of the thoughts and recommendations that we have in those areas.

I would like to conclude by just pointing out that the conservation title, with your support, Mr. Chairman, from this subcommittee, provided the largest authorization for conservation programs that have ever been enacted with Federal farm legislation. And we certainly appreciate that. We think it is outstanding that there has been incredible demand for these programs, and there continues to be great demand for programs like CRP, WRP, WHIP, and others.

The new Grasslands Reserve Program is a great example of putting a framework in place to go help farmers and landowners do the right things for conservation.

I am going to conclude by perhaps just mentioning a couple of success stories, because I think we are going to be back here in the near future, as one of my colleagues on this panel noted, talking about the next round of farm bills, and we are going to spending a lot of time talking about various conservation program success stories.

For example, Mr. Holden, from the State of Pennsylvania. The Pennsylvania CREPs, I think, are a great example. Our Pheasants Forever chapters are working very hard to implement targeted CREPs in Pennsylvania. It is a great opportunity.

Congressman Moran, in the State of Kansas. The State of Kansas actually is one of the CRP wildlife legacy stories from around the country. Lesser prairie chickens are being found in 10 counties north of the Arkansas River. They haven't been there for 80 years prior to CRP. They are there now. In western Kansas, we have a number of Bobwhite quail coveys that are showing up in areas that they were gone prior to CRP, and they are back now. So a couple other great success stories related to CRP.

Mr. Chairman, in your State of Oklahoma, one of the success stories comes from EQIP and WHIP that is related to wildlife, and that is where a number of groups are working to remove Eastern Red Cedar from native rangelands, to the benefit of livestock producers and to the benefit of wildlife. Those are just a few quick examples of some of the things we are going to be talking about more of in the near future.

Thank you again for the opportunity to appear today. I would be happy to answer any questions that you have.

[The prepared statement of Mr. Nomsen appears at the conclusion of the hearing.]

Mr. LUCAS. Thank you. And you are exactly right about the increases in wildlife. It is most impressive in my part of western Oklahoma. The turkey population, the deer population, just absolutely incredible how they have exploded in the last decade.

Speaking of the technical assistance challenges, Mr. Nomsen, how would you politely describe the effect on WHIP of having technical assistance money for CRP and WRP be taken out of the program?

It has affected the participation rate, obviously, because there are fewer dollars now available.

Mr. NOMSEN. Mr. Chairman, as much as I like my favorite program, the CRP program, frankly, the situation that exists to use donor programs to implement those programs is completely unacceptable. It is costing us good conservation from other good programs on the ground, and we shouldn't be using funds from EQIP or WHIP or any of the other donor programs that we are using in that situation. We are currently supporting the language that you mentioned earlier in the budget resolution, and hope that that does move forward to provide a permanent solution to that.

Mr. LUCAS. Thank you. Mr. Harms.

Mr. HARMS. Much discussion has arisen about how to control the cost of technical assistance, or a better way to put that is to make sure the resources wind up being applied where they should be.

Mr. LUCAS. In your opinion and your experiences, do you think that the private sector can deliver the same or better quality technical assistance at perhaps the same or perhaps lower costs? And if you would expand on that for just a moment.

Mr. HARMS. I think almost in all cases, private enterprise can offer a program more efficiently than a Federal or a government program, if given the opportunity. But that has to be on a level playing field. Private enterprise, number one, it is going to pay taxes, which is going to be income to help pay your salaries, and number two, it is going to create more jobs. But it can do the work efficiently, if it has enough work to do. An example of that is I just completed one of the projects, but I had to spend a day and a half writing the program to do that. Now, for just one project, one soil test project, that is not very efficient for me. But if I knew I had 40 or 50 of them to do, now it becomes very efficient. And I think if given the opportunity for private enterprise to have a long term arrangement, it could be very efficient.

Mr. LUCAS. Mr. Wilson. I think it is an understatement to say you have been a conservation activist for years. And along that line, discussing how we get more financial assistance to producers, and work to keep those overhead costs down, give me your opinion about the delivering of technical assistance by NGOs and TSPs.

Mr. WILSON. Well, I welcome that question, and I don't disagree with my colleague to my left here, as he certainly has done a good job today representing the private sector. There is, we think, an opportunity for NGOs, and more particularly, conservation districts, the folks that I represent and my organization represents, to play a role in this, and I have visited, at every opportunity I have, with meetings with crops planners and folks that are interested in doing the private sector Technical Service Provider. And certainly, they will argue that there are producers that they can bring to the table that have not participated in programs in the past, for whatever reason. Maybe they don't trust us, or you, or whoever or whatever, but anyway, so I think there is an opportunity for all of us to share and assist USDA in delivering these conservation programs in a way that it was the intent of your committee, and this Congress, to have that happen.

We certainly welcome, at least all the district people that I have talked to, welcome the private sector TSPs. We would like to have them come and get acquainted with our directors, our staff, and one reason, one concern, I guess, that we have as board members in a local conservation district is conservation plans are required to be signed off on by us as board members, and so we are responsible for those plans, to a certain degree. And so, for that reason, we think it would enhance the relationship to have a good working relationship between our folks and the private sector, and we think that can happen.

Mr. LUCAS. Let us touch for a moment on watershed rehab. Four years ago, of course, we had no program. This year, the farm bill would have mandated \$55 million. It appears that the House Subcommittee on Appropriations has determined that that should be,

instead of mandatory, discretionary, and \$30 million. But still, \$30 million is a dramatic improvement over zero. In your opinion, from your experience, the statistics you work with, that \$30 million will meet what percentage of the real need that is out there this year?

Mr. WILSON. Well, the \$55 million wouldn't address the total needs, so certainly, it will be less than half of what the need is. But the local sponsors and the NRCS, the program implementers and people, I think, in my opinion, have a pretty good handle on what the need is, and have a fairly good plan laid out in the process, and which structures set the priorities based on where they are located, and development downstream, and those sort of things.

Certainly, \$55 million, like I said, wouldn't address the total need. \$30 million doesn't either, but it is, like you said, it is much better than we had 4 years ago, and I commend your leadership that we even have that program in place.

Mr. LUCAS. We have come a long ways, and we still have a long ways to push. With that, I turn to my ranking member, Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman, and I don't have any questions of the panel, because they pretty much addressed the issues I was going to raise in their opening statements, with CREP and then with the caps with Mr. Wilson, but I just want to commend you, Mr. Chairman, for having this hearing, and look forward to working with you as we try to implement what we did in the farm bill, and see that we can find a way to have our appropriating friends be more cooperative.

Mr. LUCAS. I thank the ranking member, and he is exactly right. We have made a lot of progress in 2002, and we just need to continue to push forward. And with that, we turn to the gentleman from Kansas, Mr. Moran.

Mr. MORAN. Mr. Chairman, thank you. I appreciate the opportunity to hear all the panels today. Gentlemen, is there anything in particular other than funding that you would highlight as your disappointment with the implementation of the conservation title of the current farm bill? Generally, as I have heard today, great compliments of the Chairman and the subcommittee and the Agriculture Committee's work on conservation programs in the new farm bill. You were pleased with the efforts of Congress in the farm bill, but my guess is there are things that have not worked out the way you had anticipated. And I would be interested in having you highlight those for us as areas that we ought to pursue further. If they exist.

Mr. WILSON. I will go first, Mr. Moran.

Mr. MORAN. That doesn't surprise me.

Mr. WILSON. I am sure it doesn't. I guess the rulemaking process is probably where we have been most frustrated. We think that it has taken longer, in most of these programs, to get the rules out, than it could have. And I understand part of the reason for that, and there are certainly constraints, and it isn't all because of USDA. OMB plays a large role in rulemaking, and certainly, there has been a lot of discussions back and forth between USDA and OMB, and we are certainly aware of that, and appreciate the position that the Chief is in, and his agency, in getting these rules out. Unfortunately, we are already talking about the 2007 farm bill,

and we haven't even got the rules out to implement all the programs in the 2002 farm bill. And we have stayed engaged as an association, as much as we could, and kept pushing the agency and OMB, and all the players, to get rules out, and but I guess we would like to see it happen sooner than it has.

Mr. MORAN. Mr. Harms.

Mr. HARMS. I would just like to say that the private sector would very much like to contribute an equal share to the addition of the technical service advisers. I think that we have a lot of expertise. We have some 12,500 people that are very well trained, and that work with the growers on a daily basis. They are making recommendations constantly. That is their business. That is their sole business. I think that the one thing that we would like to have guidance on is exactly how the recommendations should be made, so we can sit down at our computers and make our computers synchronized with the NRCS and FSA, and the various computers in governments, so that we didn't have to rewrite a program every time we did a recommendation. I think if we do that, we can be very efficient, probably more efficiently than you realize, and deliver you a very good product.

Mr. NOMSEN. Mr. Chairman and Congressman Moran, I would like to offer two thoughts. The first is an area we have already discussed, and that is the technical assistance funding issue that has meant that authorizations for programs, we have not been able to implement those programs at the authorized levels, and it does mean that we have got fewer projects out there, with fewer farmers and landowners, and that is always a problem. So, we again appreciate the fact that we hope you have been working on that very diligently, and we hope that there is a solution in sight very quickly, so that that problem does not exist any more.

I would like to mention a thought about the 26 general CRP signup. The administrator this morning spoke about the new process that was used during that signup process. And that was the first time that that happened. It was basically a hands-off process during the signup period, from the Natural Resources Conservation Service side of things. And what we found out was we found examples from all across the country that inadequate assistance was available in those county FSA offices. There just isn't the needed expertise, especially in areas of, for example, recommendations on seeding mixes for Conservation Reserve Program lands, establishment of those grasses or trees. The areas of bid contract, management, managed haying and grazing, and others. Expertise just wasn't sufficient to answer the questions there for potential applicants.

I am pleased to tell you that we have been meeting with the Farm Service Agency since then, and they have agreed, now, to accept some of the expertise from private groups like Pheasants Forever and others during future signups, and I wanted to acknowledge that as I think a real step forward on taking advantage of some of the things that are out there, especially expertise from some of the private conservation organizations.

Thank you.

Mr. MORAN. Thank you. Thank you, Mr. Nomsen, for highlighting some successes in conservation in Kansas. I appreciate your testimony individualized that way. It was a good story to hear.

Mr. NOMSEN. Thank you, Congressman.

Mr. MORAN. We look for the kind of success stories that we hope that the legislation that we pass in Congress, the policies that we develop, actually are beneficial to the folks back home, and to the interests that you represent.

Mr. NOMSEN. Thank you, Congressman. I was wondering how many Members were going to come back into the room and how far I would get around with success stories, and I think I could have pretty well covered it, and I know I can next time. Thank you.

Mr. LUCAS. The gentleman's time has expired. The subcommittee wishes to thank the panel, once again, for their insights and observations. You are dismissed, and without objection, the record for today's hearing will remain open for 10 days to receive additional material and supplemental written responses from witnesses to any question posed by a member of the panel.

This hearing of the Subcommittee on Conservation, Credit, Rural Development, and Research is adjourned.

[Whereupon, at 2:44 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF BRUCE I. KNIGHT

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear here today to discuss the conservation programs included in title II of the Farm Security and Rural Investment Act of 2002 (2002 farm bill). Two years ago, on May 13, 2002, President Bush signed the farm bill into law and stated that, "For farmers and ranchers, for people who make a living on the land, every day is Earth Day. There are no better stewards of the land than people who rely on the productivity of the land. And we can work with our farms and ranchers to help improve the environment." The 2002 farm bill represents an increased commitment of more than \$17.1 billion in funding over 10-years for conservation. The 2002 farm bill is an historic commitment by the members of Congress and this Subcommittee to invest in the future of agricultural conservation in America. Today, I am pleased to provide an update on the conservation investment you made for America's working farm and ranch families.

The working lands in this nation provide many opportunities to address substantial improvements on a broad range of emerging conservation challenges faced by farmers and ranchers, including soil erosion, wetlands conservation, wildlife habitat improvement, and farm and ranchland protection. Private landowners will benefit from a portfolio of voluntary assistance, including cost-share, land rental, incentive payments, and technical assistance. The 2002 farm bill places a strong emphasis on the conservation of working lands ensuring that lands remain both healthy and productive.

Mr. Chairman, I want to commend you for holding this hearing today. The Natural Resources Conservation Service (NRCS) is eager to provide an overview of implementation of the farm bill investments and the technology that supports moving conservation efforts into the 21st century.

Historic Investment. With the passage of this legislation, NRCS was challenged to develop and issue new program rules, train and update our workforce and partners on the changes contained within the legislation, and deliver the programs to America's farmers and ranchers in a timely and efficient manner. I am proud to report that we met, and in most cases exceeded, these expectations. We challenged NRCS staff throughout the Nation since the passage of the 2002 farm bill. And it is clear that our field staff have answered the call. The State allocations for the Farm Security and Rural Investment Act funds for fiscal year 2002-04 total roughly \$3.3 billion in conservation dollars that have successfully reached farmers, ranchers, and other customers.

Since passage of the 2002 farm bill, the Agency has moved aggressively forward to publish program rules, complete companion policy guidance documents, develop

program manuals, and reach out to employees and landowners with program information.

To date, NRCS has published rules for ten major programs, including: 1) Environmental Quality Incentives Program (EQIP) Final Rule, published May 30, 2003, after evaluating and considering the public input from over 1,250 letters containing 4,900 specific comments; 2) Wetlands Reserve Program (WRP) Final Rule, published June 7, 2002; 3) Grassland Reserve Program (GRP) Notice of Fund Availability, published June 13, 2003. The Interim Final Rule was published May 21, 2004; 4) Wildlife Habitat Incentives Program (WHIP) Final Rule, published July 24, 2002; 5) Farm and Ranch Lands Protection Program (FRPP) Final Rule, published May 16, 2003; 6) Agricultural Management Assistance (AMA) Final Rule, published April 9, 2003; 7) Conservation Security Program (CSP) Advance Notice of Rulemaking published April 3, 2003. A Proposed Rule was published January 2, 2004, with receipt of over 14, 010 letters and more than 70,000 specific comments. The Interim Final Rule was released on June 8, 2004. 8) Private Grazing Lands Final Rule, published November 12, 2002; 9) Conservation Innovation Grants (CIG) The Interim Final Rule and Requests for Proposals, published March 29, 2004. The comment period on the Interim Final Rule was open through May 28, 2004, with Requests for Proposals accepted during this same time period; and 10) Technical Service Providers (TSP) Interim Final Rule, first published on November 21, 2002. Subsequently, two amendments to the rule have been published, clarifying issues on methods for payment, and certification and payment requirements for public sector entities. More than 360 entities offered over 1,200 comments, and 335 recommendations. The Final Rule is currently under development.

NRCS also issued six Request for Proposals including the Biomass Research and Development Initiative in March of 2003 and January 2004; Farm and Ranch Lands Protection Program in May 2002, April 2003, and March 2004; and Conservation Innovation Grants to be awarded in 2004.

In addition, we have three new rules currently under review, including an Interim Final Rule on confidentiality of producer's conservation case file and location of National Resource Inventory (NRI) data points; a Final Rule on the Appeals Procedures; and a Final Rule on Equitable Relief.

It is important to note, during this time of tremendous increased workload, NRCS continued to make significant gains in other aspects of the Agency mission. In 2003 alone, we provided assistance to nearly 4 million farmers, ranchers, and other customers, provided assistance to over 300,000 female and minority customers, mapped or updated 22.5 million acres of soils, released 20 new conservation plants for commercial and private use, distributed more than one million publications, and gained more than one million hours in donated time through our Earth Team volunteer program.

We are proud of the work our Agency and partners have accomplished with America's farmers and ranchers in planning and delivering conservation.

Lean, Local, and Accessible. One of the core themes that I have stressed to our Agency is the need to be lean and local. Throughout the implementation of the farm bill, we have worked hard to provide as much decision-making flexibility to the local level as possible. In addition, we have worked to provide streamlined business processes to improve use of valuable staff resources. The 2002 farm bill poses many implementation challenges and requires our Agency to work more efficiently.

One of the most important investments we can make today in improved efficiency is the development of new and improved technical tools for use by our staff, Technical Service Providers, our partners, and the general public. In concert with the rollout of the 2002 farm bill, we launched the Electronic Field Office Technical Guide (eFOTG). The eFOTG is the primary reference of NRCS operations at the field level, and provides conservation information and scientific and technological resources on the Web in an easy-to-use environment. The Field Office Technical Guide used in each field office is localized so that its contents apply specifically to the geographic area for which it was prepared. This dynamic document is designed to evolve to incorporating research and on-the-ground experience. It represents the best science and technology in the conservation of our Nation's natural resources.

The electronic technical guides are linked to 8,000 NRCS web pages and external sites. Content includes data in technical handbooks and manuals, scientific tools that help generate conservation alternatives, conservation practice standards, conservation effects case study reports, and other electronic tools for evaluating the effects of conservation technical assistance. In total, the eFOTG has made our information more accessible, and supports the President's Management Agenda for E-Government.

The eFOTG is part of larger efforts at developing Smartech. Smartech uses electronic tools from handheld devices in the field to a nationally available Web farm

of databases, applications, and information. Smartech was conceived to modernize NRCS operations by integrating conservation technology with our conservation planning and application.

Access and Accountability. As a core principle, we need to increase the accessibility of NRCS to the public, not only by providing conservation data, but also by making our internal processes more easily understood. We have taken steps to make items such as our program allocation formulas, backlog, and participation data much more transparent to the general public. All of this information can be found on the Web. We have worked to foster competition and reward performance, in our internal functions and also in contracting and cooperative agreements. Throughout implementation, our goal has been to provide the best and most efficient service to producers at the local level, and to make NRCS more farmer-friendly and accessible.

Increasing Third-Party Technical Assistance. With the historic increase in conservation funding made available by the 2002 farm bill, NRCS will look to non-Federal partners and private technical service providers to supply the technical assistance needed to plan and oversee the installation of conservation practices. I am proud to report that, at the end of April 2004, NRCS had over 1,700 individuals certified as Technical Service Providers (TSPs), with 1,200 more individuals pending. In terms of businesses, NRCS has certified 160, with over 220 more applications in process. In fiscal year 2003, NRCS obligated \$23 million for utilization of TSPs, with that funding quickly utilized across the Nation. For fiscal year 2004, we are using \$40 million worth of TSP services. We are excited about the additional assistance provided by TSPs that will complement our expertise and increase our capacity to deliver services.

NRCS developed an Internet-based system for approving individuals and entities to provide technical services called TechReg. Individuals and entities may register in TechReg and become certified to provide specific categories of technical services. Once certified, the individuals are included on the approved list of technical service providers. Landowners and producers can locate TSPs certified in their State and county from the TechReg web site to help them meet their conservation goals.

NRCS has reached out aggressively to establish formal relationships through Memorandums of Understanding with key organizations. The goal is to forge a partnership and cooperate on providing Technical Services to the Agency. Some of these groups include the American Society of Agronomy's Certified Crop Advisers, the Society for Range Management, the Wildlife Society, the University of Tennessee, the Agricultural Extension Service, the Irrigation Association, Environmental Management Solutions, LLC, the National Alliance of Independent Crop Consultants, and the Society of American Foresters.

We are excited about this new partnership and the prospect of TSP expertise continuing to complement our ongoing work.

Streamlining and Cost Savings. NRCS devoted considerable effort to streamline our operations, becoming more efficient in delivering our core work. Since the 2002 farm bill, NRCS:

- Reviewed and revised 95 National Conservation Practice Standards, and currently updating an additional 32;
- Deployed the NRCS Electronic Field Office Technical Guide;
- Streamlined program delivery, resulting in reduced costs without compromising quality;
- Developed new software called PROTRACTS to speed up and keep up with the processing of the large increase in farm bill program contracts, allowing more time and dollars to be directed toward planning and applying conservation on the land; and
- Transitioned from an offset to a direct charge method of accounting to better identify and control costs.

As farm bill implementation progresses, we will continue to improve on many fronts. We will continue streamlining and getting more efficient in working with our partners as well.

farm bill Technical Assistance Cost Savings. The streamlining and efficiencies NRCS has gained mean that even more conservation funding can be utilized for financial assistance to producers.

NRCS worked closely with Farm Service Agency (FSA) to develop Conservation Reserve Program (CRP) efficiencies that resulted in additional allocations to the Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Grassland Reserve Program and the Wetlands Reserve Program.

This accomplishment is indicative of the work we are doing in cooperation with FSA to identify better ways of doing business for programs like CRP, including moving from Agency certification of all practice installations to a 10 percent sample, with the other 90 percent self-certified by the producer.

These accomplishments have also come within the context of the challenges we face on funding for technical assistance. As you are aware, the current situation has necessitated that we utilize funding from various farm bill program accounts to support other conservation programs, including the WRP and CRP. The President's budget request proposes to address that issue by establishing a discretionary account for technical assistance for CRP and WRP.

Technical assistance funding for conservation programs has been the subject of ongoing discussion for several years, and is a topic of interest to this Subcommittee. We appreciate Congress taking steps to address the long-standing issues of technical assistance for farm bill conservation programs in the Consolidated Appropriations Resolution, 2003. The long term solution to the technical assistance issue is proposed in fiscal year 2005 with the establishment of a new farm bill Technical Assistance account for CRP and WRP, and dedicating resources for this purpose. This will allow the Agency to provide more financial assistance to farmers and ranchers in the other mandatory farm bill programs.

CONSERVATION PROGRAMS

Environmental Quality Incentives Program (EQIP). EQIP was re-authorized by section 2301 of the 2002 farm bill.

The purpose of EQIP is to provide flexible technical and financial assistance to landowners that face serious natural resources challenges that impact soil, water, and related natural resources, including grazing lands, wetlands, and wildlife habitat management.

The 2002 farm bill made several changes to the EQIP to streamline and improve efficiency. Just a few of the changes include:

- Increasing authorized funding from \$200 million in fiscal year 2001 to \$400 million in fiscal year 2002, and increasing to \$1.3 billion per year by fiscal year 2007;
- Reducing the minimum length of a contract from five years to one year after installation of the last practice;
- Allowing cost-share rates of up to 90 percent for limited resource farmers or ranchers and beginning farmers or ranchers;
- Removing the provision prohibiting a producer from receiving cost-shares for an animal waste facility on an animal operation with more than 1,000 animal units;
- Removing language authorizing targeting of funds to Conservation Priority Areas;
- Allowing payments to be made in the first year of the contract;
- Eliminating the competitive bidding by applicants;
- Revising the purpose from maximize environmental benefits per dollar expended to optimize environmental benefits; and
- Changing the maximum payment limitation from \$50,000 per person per contract to \$450,000 per individual or entity for all contracts entered into in fiscal years 2002 through 2007.

In an effort to make the program more effective and efficient, the Department also initiated several streamlining changes, including:

- Eliminating the program's dual administration by changing Farm Service Agency (FSA) participation from concurrence to consultation;
- Reducing the planning requirements needed to develop the contract; and
- Allowing producers to have more than one contract per tract at any given time.

Benefits. The increased funding for EQIP in the 2002 farm bill greatly expands program availability for optimizing environmental benefits. Including funding distributed in fiscal year 2002, 2003, and 2004, totaling \$2.2 billion, EQIP will benefit close to 200,000 participants. In addition, EQIP leverages additional funding from landowner match requirements, and State and local cost-share programs.

Producer demand continues to be high for EQIP assistance. At the end of May 2003, NRCS published priority resource concerns and program rules for EQIP resulting from the changes enacted in the 2002 farm bill. We believe that the increased program flexibility and improved program features will continue to make EQIP one of the most popular and effective conservation efforts Federal Government-wide.

Mr. Chairman, I would also note that on May 19, 2004, the Department transmitted a request to Congress to amend the Environmental Quality Incentives Program legislative language to improve access of this program to Native American Tribes. Native American Indian Tribes experience difficulty accessing EQIP because of the unique characteristics of tribes and tribal governments. The proposed legislative changes would exempt tribal governments from the payment limitation and allow them to ensure that payments to individual producers did not exceed the limit. We believe these proposed changes are appropriate steps toward increasing the avail-

ability of USDA programs and services to Native Americans and contribute toward the civil rights and program outreach objectives of USDA and we look forward to working with you on furthering this legislative initiative.

Ground and Surface Water Conservation (GSWC). GSWC is authorized by section 1240I of the 2002 farm bill. The purpose of the program is to promote ground and surface water conservation by providing cost-share payments and incentive payments to producers to carry out eligible water conservation activities with respect to agricultural production. A net savings in groundwater or surface water resources in the agricultural operation of the producer is a program requirement. Program operation is similar to EQIP.

NRCS has obligated over \$116 million in financial assistance for this program through fiscal year 2004.

Klamath Basin Funding. The 2002 farm bill authorized \$50 million to carry out water conservation activities in the Klamath Basin in Oregon and California to provide assistance to producers to facilitate conservation measures that would result in an on-farm net savings in ground or surface water resources.

Since the passage of the farm bill, NRCS has allocated over \$34 million in financial and technical assistance in the Klamath Basin through fiscal year 2004. Up until the end of fiscal year 2003, this funding has helped more than 2,700 local landowners receive farm bill assistance. This funding, and the technical assistance provided, addressed natural resource concerns on over 66,000 acres in the Basin. With proper irrigation management and application, landowners have been able to lower their on-farm water use by 6,700 acre-feet. Converting from flood systems to more efficient irrigation systems can typically result in an average of 30 percent on-farm savings.

Mr. Chairman, the Klamath Basin represents a challenging situation, as farmers are faced with the need to conserve water use and still farm in a cost-effective manner. We feel the farm bill funding implementation in this area is a showcase example of how rural landowners can rise to the challenge of addressing limited water availability while meeting environmental objectives.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire marginal agricultural lands if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive an easement payment based on the agricultural or other raw land value and are provided with cost-share assistance to cover the restoration expenses. The 2002 farm bill increased the program enrollment cap to 2,275,000 acres. The fiscal year 2005 Budget request estimates that nearly 200,000 acres will be enrolled in 2005, an appropriate level to keep us on schedule to meet the total acreage authorization provided in the farm bill.

At the end of fiscal year 2003, WRP had a total enrollment level of 1,470,998 acres on 7,831 projects. Approximately 80 percent of these acres are subject to permanent easement; 14 percent are 30-year easements; and 6 percent are restoration cost-share agreements.

On Earth Day, April 22, 2004, Agriculture Secretary Ann M. Veneman announced that farmers and ranchers produced an estimated gain of 131,400 acres of wetlands from 1997–2002 according to the National Resources Inventory (NRI).

The NRI reports changes in the Nation's private land use. The most gains occurred in the Corn Belt and Delta States where farmers and ranchers have created, maintained or enhanced numerous wetlands through conservation programs such as the Wetlands Reserve Program and Conservation Reserve Program. On that same day in Maine, President Bush made the commitment to the country to move beyond the no net loss of wetlands in America to having an overall increase of Americans' wetlands over the next five years. He specifically mentions expanded incentive and partnership measures, such as the Wetlands Reserve Program. WRP is a good way to provide incentives to landowners to contribute to the increase of wetlands in America for the good of the country, for the good of the habitat of our country, and for the good of the wildlife of our country. All these efforts will add to the beauty of our Nation, and provide habitat for millions of birds and fish. Grassland Reserve Program (GRP). New in the 2002 farm bill, the GRP assists landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long term rental agreements. Program participants can also enroll in restoration agreements to restore the functions and values of the grassland. The 2002 farm bill authorized \$254 million for implementation of this program during the period 2003–2007. This program is administered in cooperation with the Farm Service Agency (FSA).

Fiscal year 2003 was the first year this program was available, and NRCS and FSA, through Notice of Funding Availability, allocated \$52 million in financial assistance to all 50 States. The average estimated cost per acre for easement acquisi-

tion was approximately \$382. The average estimated cost per acre for rental agreements was \$134 per acre. With this funding approximately 240,000 acres were enrolled in this program. Approximately 78,000 acres were enrolled as easement projects, and 162,200 acres were enrolled as rental agreements. For fiscal year 2004, we have allocated an additional \$54 million and issued the Interim Final Rule on May 21, 2004.

Mr. Chairman, this program is one of the most highly demanded programs we have to date. Ranching families in America are excited about this program, and are willing to participate. We are excited about the future opportunity this program represents.

Wildlife Habitat Incentives Program (WHIP). WHIP was authorized by section 2502 of the 2002 farm bill. The program continues to develop habitat for upland wildlife, wetlands wildlife, threatened and endangered species, fish, and other types of wildlife.

Under WHIP, NRCS provides technical and financial assistance to landowners to improve wildlife habitat conditions on their property. NRCS enters into five- to 10-year cost-share agreements with landowners, providing up to 75 percent of the funds needed to implement wildlife habitat development practices. NRCS can also enter into one-year wildlife emergency agreements to help landowners meet the immediate habitat needs of wildlife affected by natural disasters, such as the drought during the summer of 2002. The 2002 Act also authorizes NRCS to provide additional cost-share assistance to landowners who enter into 15-year agreements for the purpose of developing essential plant and animal habitat. The 2002 Act authorized \$360 million for implementation of the program from fiscal year 2002 through fiscal year 2007.

Since passage of the 2002 farm bill, NRCS has utilized more than \$39 million in financial and technical assistance to enroll nearly 4,200 agreements on over 600,000 acres. On average, NRCS reimbursed participants approximately \$6,800 for each long-term agreement. The average agreement size is 150 acres. Since the program began in 1998, national enrollment includes a total of 14,500 agreements on more than 2.3 million acres. In fiscal year 2004, NRCS has allocated over \$34.6 million.

In the remaining years of the 2002 farm bill implementation, NRCS anticipates that WHIP will serve the growing need that landowners have for wanting to meet the habitat needs of species in decline. NRCS is working with landowners and partners to assist with habitat development projects for sage grouse, salmon, bog turtle, and northern bobwhite quail.

Farm and Ranch Lands Protection Program (FRPP). Section 2503 of the 2002 farm bill repealed the Farmland Protection Program, authorized by the Federal Agriculture Improvement and Reform Act of 1996, and authorized a new program that has been named in rulemaking the Farm and Ranch Lands Protection Program.

Through the FRPP, the Federal Government establishes partnerships with State, local or tribal government entities, or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil or that contains historical or archaeological resources. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements.

Prior to the 2002 farm bill, NRCS protected 540 farms covering 113,700 acres with \$53 million. Since the 2002 farm bill, the FRPP has enrolled nearly 328,000 acres on 1,431 farms and ranches with \$215.4 million.

Agriculture Management Assistance Program (AMA). AMA provides financial assistance to producers to construct or improve water management or irrigation structures; plant trees for windbreaks or improve water quality. The program also offers financial assistance to mitigate crop failure risks through diversification or resource conservation practices.

The 2002 farm bill provides \$20 million annually for financial assistance in 15 States, as determined by the Secretary, in which participation in the Federal Crop Insurance Program is historically low through 2007. The 15 States designated by the farm bill to participate in the program are Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

NRCS implemented 962 contracts on 360,000 acres with \$9.8 million obligated for implementation of conservation practices in fiscal years 2002 and 2003. In fiscal year 2004 \$14 million will be available for AMA.

Conservation Security Program (CSP). The CSP is authorized by section 2001 of the 2002 farm bill. The CSP is a voluntary program that provides financial and technical assistance for the conservation, protection, and improvement of natural resources on Tribal and private working lands. The program provides payments for

producers who practice good stewardship on their agricultural lands and incentives for those who want to do more.

USDA has been moving forward aggressively to implement the program, and I am proud to announce that the Agency released the Interim Final Rule on June 8, 2004. We are enthusiastic about the prospects of CSP, and look forward to making the program available on farms and ranches across America.

With the release of the CSP rule, the conservation program portfolio for America's working agricultural lands is complete. The program recognizes producers who practice good stewardship and provide the environmental benefits that society expects.

By issuing this rule, NRCS can conduct a program sign-up and implementation the program this fiscal year. We will consider all comments received during a 90-day public comment period in developing the final CSP rule.

The first CSP sign-up will be held July 6–30, 2004, in each of the 18 priority watersheds identified on May 19, 2004, to be used in the fiscal year 2004 sign-up. The program will be offered each year, on a rotational basis, in as many watersheds as funding allows. Most working agricultural land will be eligible for CSP. Producers on cropland, orchards, vineyards, pasture and range may apply for the program, regardless of size, type of operation or crops produced.

NRCS is ready to deliver this program to the public and begin seeing results. We believe the CSP will have a dramatic impact on private lands conservation policy.

Watershed Rehabilitation Program. One of the Agency's strategic goals is to reduce risks from drought and flooding in order to protect community health and safety. A key tool in meeting this goal is providing financial and technical assistance to communities and implementing high priority watershed rehabilitation projects to address dam safety. The Watershed Rehabilitation Program is authorized under section 14 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended by section 313 of Public Law 106–472, November 9, 2000.

The purpose of this program is to assist communities in addressing public health and safety concerns and environmental impacts of aging dams. Rehabilitation also provides opportunities for communities to gain new benefits, such as adding municipal and irrigation water supplies, recreation, and wetland and wildlife enhancement.

To date, almost \$70 million has been appropriated for watershed rehabilitation in fiscal years 2002 thru 2004. Considerable progress has been made in a very short time since this new authorization was provided and funded. NRCS has worked with communities to identify dams that are nearing the end of the designed life span, and need rehabilitation not only to ensure that the dams are safe and protect the people of the community, but also will continue to provide flood control, recreation, and wildlife habitat for another 50 to 100 years.

Plans have been authorized for the rehabilitation of 25 dams. The 18 dams that have been rehabilitated to date have reduced the risks to 1530 people living downstream, and provided \$1,060,000 in annual flood damage reduction. More than 580 homes and businesses, 330 farms and ranches, and 60 bridges benefit from these rehabilitated dams.

Additional Conservation Features. Aside from the core conservation programs, the 2002 farm bill included additional legislative language that makes important conservation improvements.

Regional Equity. Legislation was written into the 2002 farm bill giving priority to States that have not received for the fiscal year, an aggregate amount of at least \$12 million under the Environmental Quality Incentives Program, including Ground & Surface Water Conservation Program and Klamath Basin, Grassland Reserve Program, and Farm and Ranch Lands Protection Program. As a result, for fiscal year 2004, regional equity adjustments of \$55.7 million were allocated to thirteen States and the Caribbean Area, including Alaska, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Rhode Island, South Carolina, Vermont, West Virginia, and Puerto Rico.

Mr. Chairman, regional equity is well received in many parts of the country. The Agency has put into place a mechanism to assess and reevaluate excess program funding in the regional equity States should they not be able to obligate all the allocation in the allotted time frame. As the fiscal year progresses, we can steer unobligated dollars to States that can utilize the funds by the end of the fiscal year, if needed.

Conservation Innovation Grants (CIG). Section 1240H established CIG as a new discretionary provision under the EQIP. Through CIG, the Secretary is authorized to pay the cost of competitive grants to carry out projects that stimulate the development and adoption of innovative conservation approaches and technologies while leveraging the Federal investment in environmental enhancement and production, in conjunction with agricultural production. Funds for CIG come from EQIP, and

the funding level will be determined annually by the NRCS Chief. Fifteen million dollars has been allocated for CIG in fiscal year 2004.

NRCS published a Request for Proposals and accepted applications until May 28, 2004. While funding requests are capped at \$1 million per proposal, the anticipated range of funding for an individual project is between \$75,000 and \$500,000. NRCS received over 142 applications. With the \$15 million provided for fiscal year 2004, we anticipate funding 40 to 70 projects.

Confidentiality of Producers Conservation Plans. The voluntary adoption of conservation practices on agricultural land and non-agricultural land reaps great public benefits such as soil loss reduction, water quality improvement, water conservation, wildlife habitat development, and wetland restoration. The 2002 farm bill greatly expands the funding available to implement NRCS conservation programs. The farm bill also included a provision to protect information about program applicants or program participants, and their agricultural and non-agricultural operations to ensure that they would continue to participate in the expanded availability of conservation programs.

Section 1244 of the Food Security Act of 1985, as amended, balances the public right to information to ensure an open government and an informed public while also protecting the privacy rights of program applicants and program participants from opening up their proprietary information to competitors or the general population.

NRCS is in the process of developing rules to be published to clarify the protection cooperators would receive under these provisions.

Biomass Research and Development Initiative. Section 9008 of the Farm Security and Rural Development Act of 2002, provided for a reauthorization of the Biomass Research and Development Act of 2000 and authorized \$75 million in funding from the Commodity Credit Corporation (CCC) for fiscal years 2002 through 2007. In addition, section 2306 of the Energy Policy Act (PL 102-486) provides authority and requirements for financial assistance for programs covered by titles XX through XXII of the Act. In 2003, title II of the Healthy Forest Restoration Act (PL 108-148) was included in the initiative. Through this Biomass Research and Development Initiative, grants are available to eligible entities to carry out research, development, and demonstrations on biobased products, bioenergy, biofuels, biopower, and related processes. In March 2003, the U.S. Department of Agriculture released the request for proposals (RFP) for the 2003 USDA/DOE Joint Solicitation for the Biomass Research and Development Initiative. USDA received approximately 400 proposals in response to the solicitation. All eligible proposals were competitively evaluated in a process that included a joint USDA/DOE technical merit review, as well as cost analysis and programmatic review based on the respective independent priorities of the departments as published in the solicitation. In September of 2003 USDA and DOE jointly awarded over \$23 million in grant awards to 19 applicants, with USDA awarding \$16 million to 15 applicants. In the fiscal year 2004 program, USDA and DOE intend to award up to \$24 million. We are very pleased with the outcome of the Biomass Research and Development program. The initiative has resulted in cooperative funding for a diverse and innovative array of projects including anaerobic digestion, biorefineries, biomass focused forest management training, and innovative use of feedstocks. We are optimistic about the future of this program and look forward to continued collaboration and mutual progress with the Department of Energy.

Measuring Success. As stated earlier, we have made significant progress in improving the availability and transparency of program outputs. For example, program allocations, contract information, and backlog data are all available in table and map form on our website.

But while we have excellent information about our program outputs, we still lack data about the environmental outcomes of our programs.

As a result, starting in 2003, NRCS in collaboration with other USDA and Federal agencies, initiated the Conservation Effects Assessment Project (CEAP) to develop a scientific assessment of the environmental and related outcomes from farm bill conservation programs at both the national and watershed scale over the next five years.

The national assessment initially focuses on water quality, soil quality, and water conservation benefits from cropland, including the Conservation Reserve Program. Using the Natural Resources Inventory (NRI), supplemented by farmer surveys, and verified by USDA computer models, CEAP will estimate national benefits from conservation practices and programs. In addition, our future plans include estimates for wildlife, grazing lands, and wetlands benefits from conservation activities.

NRCS plans to release the initial CEAP report by April of 2005, followed by annual reports through 2008.

We know that farmers and ranchers are making important gains in conservation on working lands. We are excited to capture this data and tell the story of the improvements being gained.

Looking AheadIn other efforts to streamline farm bill delivery and support current technology needs, NRCS announced on May 5, 2004, we would be reorganizing our Agency. The purpose of this reorganization is to improve NRCS's operational, technology support, and resource assessment functions to strengthen our ability to help America's farmers and ranchers reach their conservation goals and offer them the latest science-based technologies. The 2002 farm bill has put a tremendous workload on the Agency to improve our technology transfer, realigning the structure of the Agency to support this goal is imperative.

As we look ahead, it is clear that the challenge before us will require dedication of all available resources the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with partners. Conservation Districts, Resource Conservation and Development Councils, State and local agencies, and other valuable partners continue to make immeasurable contributions to the conservation movement. Since enactment of the 2002 farm bill, these organizations contributed over \$2.4 billion to conservation programs. It is this partnership at the local level that makes a real difference to farmers and ranchers. As we move forward, we will accelerate the use of third-party sources of technical assistance as well. We recognize that the workload posed by future demand for conservation will far outstrip our capacity to deliver, and seek to complement our resources with an appropriate system of qualified expertise.

I thank the Chairman and Members of the Subcommittee for the opportunity to appear here today, and for your ongoing support and attention to implementation of the Conservation Provisions of the 2002 farm bill. I would be happy to respond to any questions that Members might have.

STATEMENT OF JAMES R. LITTLE

Mr. Chairman and Members of the subcommittee, I am pleased to appear before you to discuss the Farm Service Agency's (FSA) implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002.

FSA offers a variety of conservation programs for our Nation's farmers and ranchers including, the Conservation Reserve Program (CRP), the Emergency Conservation Program (ECP), the Debt for Nature Program, and the Grassland Reserve Program (GRP), which is jointly administered with the Natural Resources Conservation Service (NRCS). FSA takes pride in the administration of these farmer-friendly and environmentally sound conservation programs and the strong partnership FSA has established with NRCS in the delivery of USDA's conservation programs.

CONSERVATION RESERVE PROGRAM

The Food Security Act of 1985 authorized the Conservation Reserve Program (CRP). The program initially focused on retiring the most highly erodible land through a voluntary competitive bid process. By 1990, over 33.9 million acres of highly erodible land had been enrolled with many of the acres planted to a monoculture of either grass or trees. From 1991 through 1995, an additional 2.5 million acres were enrolled into the program. The Federal Agriculture Improvement and Reform Act of 1996 capped the program acreage at 36.4 million acres. At that time, the Farm Service Agency (FSA) implemented a number of provisions to place more emphasis on conservation benefits derived from the CRP, rather than just focusing on erodibility. The agency instituted an objective science-based Environmental Benefits Index (EBI) that ranked offers nationwide based on the overall environmental benefits expected to accrue from the offered acres in CRP, as well as anticipated program costs.

FSA also began a continuous signup effort in 1996 to target enrollment of highly valued buffer practices such as filter strips, riparian buffers, grass waterways, windbreaks, and similar practices on working lands. These measures are often established along streams and rivers to keep sediment and farm chemicals out of surface water. These practices reduce gully erosion in fields, recharge groundwater areas for public water supplies, and enhance wildlife habitat on field borders and wetland areas. Almost 2.7 million acres have been enrolled through continuous signup efforts.

Equally importantly, FSA began working with State and local Governments to target some of our Nation's most critical resource areas that are impacted by agricultural production through partnership agreements. This effort, called the Con-

servation Reserve Enhancement Program (CREP), provides for locally tailored conservation measures and incentives under the CRP program umbrella.

The Food Security and Rural Investment Act of 2002 (2002 Act) subsequently expanded the acreage for the CRP to 39.2 million acres and modified the criteria for eligible land and other provisions, and expanded the Farmable Wetland Pilot Program (FWP) from a six-State pilot initiative to a nationwide program.

CRP ACCOMPLISHMENTS

CRP is the Nation's largest conservation program on private lands. Farmers and ranchers throughout the Nation are meeting water quality, erosion control, wildlife, and wetland restoration objectives through voluntary means using CRP. Voluntary compliance helps farmers and ranchers achieve broad conservation goals without the onerous burdens and high costs of Federal or State regulatory approaches. Farmers and ranchers are our most important resource managers, and CRP is among their most essential conservation stewardship tools.

Better Water Quality. Through the CRP, farmers and ranchers, along with their Federal, State and local partners, have accomplished a significant enhancement of our natural resources. We estimate that soil erosion has decreased by over 442 million tons per year. Over 1.5 million acres of streamside buffers have been enrolled to intercept nitrogen, phosphorus, and sediment before they reach lakes, streams, and rivers. Our Nations' waters are much cleaner since CRP was established—we estimate that CRP has helped to reduce nitrogen loadings of 655 thousand tons per year and reduce phosphorus loadings of 103 thousand tons per year.

Wetlands Enhancement. Over 1.9 million acres of wetlands and adjacent tracts have been enrolled in the CRP, helping agriculture to help America move from losing 400,000 acres of wetlands on agricultural lands per year from 1954-1974 to an estimated annual net gain of about 26,000 wetland acres on agricultural lands from 1997-2002, according to the National Resources Inventory. This increase reflects the culmination of years of accomplishments in wetland conservation by landowners, conservation groups, state and federal agencies. Programs such as the CRP have helped dramatically slow wetland losses by increasing wetland protection and enhancement. Furthermore, the CRP is expected to restore or enhance hundreds of thousands of additional wetland acres in the next five years, helping meet the President's goal to create, improve, and protect at least three million wetland acres over that period.

Wildfowl Numbers. The CRP has contributed to the dramatic increase in migratory waterfowl numbers. A recent estimate by the United States Fish and Wildlife Service indicated that over 2.5 million additional ducks per year are attributable to CRP. CRP has also enhanced habitat for many wildlife species such as the doubling of ring-necked pheasant populations, the reappearance of long-absent prairie chickens in Texas, and increasing many grassland bird populations, including the sharp-throated grouse. CRP is also a key tool in the restoration of threatened and endangered species, such as salmon in the Pacific Northwest. The CRP greatly encourages diverse cover-stands of habitat that enhance wildlife and protects farmland for future generations.

Haying and Grazing. This is the second year for managed haying and grazing. CRP participants may hay or graze eligible CRP acreage that was not hayed or grazed under managed or emergency provisions last year. However, the managed haying and grazing may not occur during the primary nesting and broodrearing season which allows for the successful breeding, nesting, and rearing of wildlife on CRP acreage. Last year, FSA authorized its State committees to review the nesting season dates and adjust them if necessary as recommended by the State Technical Committee, of which U.S. Fish and Wildlife Service, State Fish and Wildlife Agencies, and other resource professionals are members. These adjustments were authorized to ensure that each nesting season adequately met the wildlife needs within each State.

Protecting Water Supplies. The CRP is also a key tool in protecting water supplies. Buffers adjacent to streams and rivers reduce the potential of nutrients, pesticides, and pathogens to contaminate waterbodies. This reduces water treatment costs and the need for costly filtration systems. The CRP is used to protect public wells from impacts associated with the leaching of nutrients.

Air Quality. In addition to protecting our water, CRP protects the air we breathe. The CRP significantly reduces wind blown dust, especially in much of the western United States, and is helping all States comply with air quality standards.

CREP. Currently, we have 29 CREP partnership agreements involving potentially 1.7 million acres in 25 States. The significance of these agreements is enormous. For example, they play a role in protecting the water supplies of New York City; Colum-

bus, Ohio; and Raleigh, North Carolina; as well as 56 small rural communities in Missouri and others throughout the country. CREP agreements are also vital in protecting the Chesapeake Bay, improving water quality of the Great Lakes and, as mentioned before, in restoring Salmon in the Pacific Northwest. Over \$1 billion of State and private contributions may eventually be leveraged through the CREP to protect our Nation's most critical resources. Each CREP project is developed at the grass roots level with strong support from the State and local communities.

Flood Plains. During this past year, FSA has placed a greater emphasis on protecting our Nation's flood plains. Flood plain restoration plays a critical role in protecting water quality, serving as critical wildlife habitat and reducing the impacts associated with flood events. FSA provided for continuous signup practices for the restoration of both bottomland hardwoods and wetlands.

The wetland restoration practice (CP23) under the CRP is limited to 500,000 acres nationwide and eligibility is limited to the 100-year floodplain. The Farmable Wetlands Program (FWP) allows enrollment of certain wetlands that are less than 10 acres in size, not to exceed 40 acres per tract. CP23 protects wetlands in the floodplain, and the FWP protects the small isolated prairie pothole wetlands.

Cost-Effective Program Administration. These significant public benefits from the CRP are also achieved in a very cost-effective manner. FSA has implemented a number of administrative measures to improve program delivery while reducing administrative delivery costs. For example, during the most recent CRP general signup, FSA developed a new software tool, in collaboration with NRCS, to automate evaluations using the EBI and to provide Geographic Information Systems (GIS) support in many counties. Over the last year, this GIS tool greatly reduced the time required for farmers to submit offers, saved farmers \$160,000 in participation expenses, and helped FSA reduce administrative costs for the CRP by over \$7 million.

CRP SIGNUP. FSA continuously evaluates and assesses conditions regarding CRP general signups. In total, there are more than 34.7 million acres enrolled in the CRP, with Continuous Signup-CRP, the CREP, and the FWP available year-round. The current very tight supply/demand situation for major crops has resulted in record low pipeline stocks, both in the U.S. and globally. As a result, an expansion in acres planted for corn, soybeans, cotton, and other commodities is expected in response to the existing market conditions. The Department had earlier indicated its intention to conduct another general signup in early 2004. The Department now plans to issue the details of the next general sign-up later in the summer when agricultural market conditions and demands for resource use becomes clearer with harvest of this year's crops. This delay will allow the department time to more fully evaluate the supply/demand situation with respect to CRP and the market's demand for additional crop acres.

FSA also continues to work to further quantify the significant conservation outcomes that are attributable to the CRP using scientifically sound methodologies. For example, FSA has a number of research efforts with Universities to determine the outcomes attributable to the CRP. By next year, we will be in a better position to document how CRP prevents sediment, nitrogen, and phosphorus from entering our Nation's waters through several technical scientific assessments. In fact, FSA is sponsoring a national conference on the future of the CRP in June 2004 to exchange ideas, discuss issues, and help define the future of the program.

Attached to my statement, as exhibit 1, is a summary of CRP statistical data.

EMERGENCY CONSERVATION PROGRAM

The Agricultural Credit Act of 1978, as amended, authorized the Emergency Conservation Program (ECP), with funding for the program through the appropriation process. The ECP provides emergency cost-share funding to agricultural producers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures during periods of severe drought.

To be eligible for the ECP, the natural disaster must create new conservation problems which, if not treated, would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and (4) be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use. Producers with conservation problems existing prior to the disaster involved are not eligible for cost-share assistance.

Emergency practices to rehabilitate damaged farmland may include removing debris, providing emergency water for livestock, fence restoration, grading and shaping of farmland, restoring conservation structures, and emergency water conservation measures. A FSA County Committee may also authorize other emergency conserva-

tion measures with approval by the State Committee and FSA's Deputy Administrator for Farm Programs.

Local committees, on an individual basis, taking into account the type and extent of damage, determine eligibility for ECP assistance. The ECP makes cost-share assistance available at levels of up-to 75 percent with a maximum benefit limitation of \$200,000 per person per disaster.

The ECP has not been funded since fiscal year (FY) 2001 and we are currently out of funds. However, Congress recently provided \$12 million for the implementation of ECP specifically targeted to southern California.

Grassland Reserve Program. The Grassland Reserve Program (GRP) is a voluntary program that helps landowners and operators restore and protect grassland, including rangeland and pastureland, and certain other lands, while maintaining the areas as grazing lands. The program emphasizes grazing operations, plant and animal biodiversity, and grassland under the greatest threat of conversion. The program was authorized by the 2002 Act and is administered in cooperation with NRCS and the Forest Service.

Applications may be filed for either a rental agreement with 10, 15, 20, or 30-year terms or easements with either FSA or NRCS at any time. Participants must limit future use of the land while retaining the right to conduct common grazing practices. The program was initiated in fiscal year 2003 through a Notice of Funding Authority (NOFA). Over 688 rental agreements have been signed to protect over 162,000 acres. In addition, 106 easements have been signed which provide long-term protection to over 78,000 acres. There is strong demand for this program, as evidenced by the 13,321 applications on over 7.9 million acres of land offered for rental agreements and 1.0 million acres offered for easements during 2003. In fiscal year 2003, applications for 240,965 acres were accepted totaling \$51.3 million.

The GRP interim final rule was published in the Federal Register on May 21, 2004, and provides for a 60-day public comment period. USDA will consider all comments received during the public comment period in developing a final GRP rule.

Debt for Nature Program. The Debt for Nature Program, also known as the Debt Cancellation Conservation Contract Program, is available for persons who have FSA farm loans secured by real estate property, who can cancel a portion of their FSA indebtedness in exchange for a conservation contract. The exchange ultimately restricts the type and amount of development that may take place on the property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation, and wildlife purposes.

By participating in this program, borrowers reduce their FSA loan debt, thereby improving their overall financial stability. Also, borrowers can conserve wildlife habitat and improve the environmental and scenic value of their farms. As of March 31, 2004, FSA had closed 502 conservation contracts, bringing the total land enrolled in the program to 101 thousand acres since inception of the program in 1985.

Modernizing General Sign-up Business Processes & Systems. Before the 26th general CRP signup was held in the spring of 2003, the CRP signup, evaluation, and acceptance process was a labor-intensive operation for both FSA and NRCS. As part of the President's Management Agenda and the e-Gov initiative, FSA took a major step forward in modernizing its business processes and the use of technology in delivering CRP. As of result of a major business process modernization effort, we were able to automate nearly the entire CRP general signup process, integrating FSA's EBI and GIS databases, as well as NRCS's soils database. This automation initiative, as I mentioned earlier, reduced administrative costs for CRP by approximately \$7 million; and the data entry error rate decreased by 90%. These improvements equate into more timely decision making for farmers, ranchers, and others making business decisions about their operations.

This effort is a major part of FSA's overall enterprise architecture modernization effort that spans across all field delivery business processes. Under the President's Management Agenda, we are streamlining our business operations and modernizing our IT delivery system. This new delivery channel, will ultimately provide on-line user-friendly services, allowing farmers, ranchers, and business partners to conduct business with us either at our Service Centers or on-line from the convenience of their home or place of business.

In summary, FSA remains committed to achieving conservation benefits through voluntary partnerships with individuals, environmental groups, and government entities. Our programs have assisted farmers in accomplishing significant improvements in environmental quality. Building on these successes, we will continue to work with farmers and ranchers to preserve our Nations' natural resources.

I appreciate the opportunity to testify today. I am happy to respond to your questions.

STATEMENT OF BOB STALLMAN

Mr. Chairman and members of the House Agriculture Committee, thank you for inviting the American Farm Bureau Federation to participate in the hearing today. I am Bob Stallman, president of the American Farm Bureau Federation, and it is my pleasure to provide testimony on the Conservation Programs of the Farm Security and Rural Investment Act of 2002.

Mr. Chairman, at the outset I want to underscore that conservation is a critical and enduring component of present and future U.S. farm policy. The commitments by agriculture to environmental protection and improvement are constantly being reshaped by dynamic forces and pressures at the local, state, national and international level. From local ordinances and lawsuits aimed at livestock farmers in a suburbanizing community, to state enforcement of Environmental Protection Agency air and water regulations, to international agreements that restrict the use of certain domestic support for agriculture, all have an impact on agricultural life, production and policy.

Conservation programs occupy an increasingly important role on the farm and in the formation of domestic and international agricultural policy as an effective means to cope with these outside forces. The historic voluntary, incentive-based approach to conservation in agriculture is workable, flexible and accepted by farmers. The growth of the conservation programs in the 2002 farm bill reflect the need and desire of the agriculture community to improve environmental protection, particularly on working lands, in a manner that fits the conditions and needs of farming and ranching.

International trade issues and budget pressures may cause a future evaluation of the means of supporting agriculture. The conservation programs authorized under title II of the farm bill, which fit within the green box of the World Trade Organization Agriculture Agreement as non-trade distorting programs, are important to these policy considerations.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

Farm Bureau strongly supports the Environmental Quality Incentives Program (EQIP) and the improvements to the program made by Congress in the 2002 farm bill. We believe EQIP should be available to all crop and livestock producers and provide compliance assistance with implementation of federal, state and local environmental laws.

We are concerned that the Natural Resources Conservation Services has not been monitoring EQIP projects or providing animal feeding operations with the assistance needed to meet their regulatory requirements. To highlight a specific concern, we are aware that EQIP provided \$483 million in assistance to all agricultural operations in fiscal year 2003. Of the \$483 million, \$314 million was provided to livestock operations, of which, only \$105 million was expended to help animal feeding operations. This is a very troubling realization. If these numbers are correct, we believe this allocation within the livestock sector does not place enough emphasis on confined animal operations and their associated regulatory costs. The situation is particularly vexing because in promulgating the revised animal feeding operations permit rule in 2003, EPA in part, justified the heavy regulatory burden on producers by reference to EQIP funds available for producer assistance.

Of particular concern to Farm Bureau are the compliance needs of animal feeding operations in general and specifically to the disproportionate burden the regulations placed on small and medium sized operations. Without EQIP, many small and mid-sized operations are at risk of financial collapse or unable to implement regulatory compliance requirements in a timely manner. These small and mid-sized operations are critical to the rural economy and our overall agricultural infrastructure.

To overcome the problems associated with the lack of emphasis and funding for animal feeding operations we recommend that NRCS prioritize:

- EQIP contracts that are intended to help producers comply with local, state and federal regulations;
- Air quality and odor control practices; and
- Mobile equipment and manure transport practices.

With regard to the portion of EQIP funds that go to non-livestock operations, we recommend that further attention be brought to the opportunities that EQIP can play for specialty crops. These producers are generally outside the scope of the traditional farm bill programs and may be unfamiliar with conservation programs such as EQIP or the Conservation Security Program (CSP) and the opportunity that they provide to address environmental concerns.

CONSERVATION SECURITY PROGRAM

CSP is unique among USDA conservation programs because it encourages farmers and ranchers to adopt a comprehensive approach to conservation and rewards them for both maintaining sound conservation practices and adopting new ones on working agricultural lands. CSP will enable agricultural producers to deliver increased conservation and environmental benefits. These benefits accrue from conserving and enhancing the broad range of resources involved in agriculture: soil, water, air, plants, animals and energy. As a voluntary program, CSP enables agricultural producers to adopt sound conservation and environmental practices and will help them to avoid additional regulations. Since CSP focuses on working land, it does not require removing land from production.

Bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. We believe the 2002 farm bill and CSP is just such a program. While we understand the initial reasoning for targeting watersheds, we contend that CSP should be available to all agricultural producers, rather than in only a few watersheds. We also believe that the final rule should reflect the mandatory status of the program. If CSP is implemented consistent with the law and congressional intent, it will deliver enormous environmental and economic dividends to agricultural producers, rural communities and all Americans. Farm Bureau sees broad support for CSP within agriculture and we look forward to its implementation as soon as possible.

Conservation Reserve Program. The Conservation Reserve Program (CRP) is a time-tested program that works well overall and has been very popular with farmers and ranchers. There are no major concerns with its current operation. Farm Bureau supports CRP because it provides incentives for reducing soil erosion, the enhancement of water and soil quality and additional wildlife habitat. Additionally, it recognizes the inherent value of private property and provides a steady income to participants who enroll in the program. In order to ensure that the rural and agricultural infrastructures are not hurt by even a slight increase in CRP acreage, we continue to oppose more than 25 percent of any county's acreage being included in a CRP contract, Conservation Reserve Enhancement Programs and all experimental pilot projects.

WETLANDS RESERVE PROGRAM

We support Wetlands Reserve Program (WRP) because it provides incentives for farmers and ranchers to restore and protect wetlands and allows individuals to be compensated for the inability to use their land as they wish. We are not aware of major problems with implementation of the WRP and believe that overall it has been satisfactory. President Bush recently noted the role that incentive-based programs such as the WRP played in achieving the goal of no-net loss of wetlands, and specifically lauded the response of farmers and ranchers to such approaches. We strongly agree that incentive-based programs are far preferable to regulatory control approaches. However looking ahead, we are troubled by the growing litigation and regulatory activity over wetland delineation outside of the farm bill program, specifically under the Clean Water Act. Farmers are increasingly concerned about becoming entangled in jurisdictional conflicts among federal agencies over what constitutes a wetland. With regard to the WRP, we recommend that prior to a landowner being allowed to place a parcel of land into the WRP, the adjoining landowners should be notified and assured that they will not be affected by any changes in drainage patterns. We have seen first-hand instances where a landowner's participation in the WRP has altered the drainage on adjacent farmland and resulted in wetland violations and land-use restrictions.

Technical Assistance Funding. We are extremely concerned about the ongoing shortfall of technical assistance funding for the CRP and the WRP. These shortfalls will result in a substantial cut in funding for EQIP and other conservation programs in order to deliver CRP and WRP. This comes at a time when EQIP has a significant application backlog. We believe every program must cover its own technical assistance delivery costs. In the case of CRP and WRP, the Agriculture Department should calculate the delivery cost of program enrollment. Acres available for an enrollment should be reduced to the level necessary to fund technical assistance to cover program delivery costs. We are not suggesting a reduction in the statutory cap of 39.2 million acres. CRP has never been fully enrolled and WRP yearly acreages have varied. These programs and their goals should not be sacrificed or jeopardized in any way. In this manner the programs could cover their own costs without incurring additional budget obligations or taxing other programs. The integrity of the 2002 farm bill is critical. Farm Bureau supports full funding of the farm bill and opposes any action that upsets the financial balance.

Conservation Program Delivery and Implementation. Farm Bureau advocated for increased conservation funding and technical assistance in the 2002 farm bill. Conservation has increasingly become a priority for farmers and ranchers as the pressure of local, state and federal environmental regulation has increased. Conservation cost-share and incentives are essential to assist producers in addressing public concerns relating to the environment.

Conservation planners are confronted with overlapping issues of endangered species and wildlife management, wetlands protection, nutrient management, air quality regulation, integrated pest management and water quality issues, in addition to soil erosion. We can expect planning challenges to increase as the complexity of environmental regulation grows. President Bush has been a strong advocate of incentive-based solutions. If the farm bill conservation programs are to be successful, adequate technical assistance will be key. USDA must be able to demonstrate that voluntary, incentive-based conservation programs can be successful in addressing environmental issues and serve as an alternative to a more costly and burdensome regulatory approach.

Technical Service Providers. It is critical that NRCS maintain necessary career manpower resources for program delivery. Notwithstanding, it will be necessary to utilize technical service providers to supplement those resources. Farm Bureau supports the use of third-party technical service providers to ensure adequate delivery of needed services. We recognize the challenges NRCS faces with limited government manpower for program delivery. The situation is compounded by the increasing regulation of agricultural production, which has made conservation planning significantly more complex and time-consuming.

We have concerns regarding implementation of the technical service provider program.

- The confidentiality of information provided to technical service providers must be protected. Farmers and ranchers are increasingly concerned regarding the misuse of information provided as part of program participation. Outside agencies have attempted to use program information for regulatory and other purposes. The farm bill specifically exempted such information from distribution to other agencies of government and from disclosure under the Freedom of Information Act. This protection must be extended to information made available to third party technical service providers. NRCS must work to assure that third-party contractors are subject to stringent confidentiality requirements. NRCS should explore all means available for accomplishing this goal; including making it a condition of certification and offering standardized contracting language.

- Technical service providers must be bonded and have appropriate liability insurance. Bonding and insurance will be important to producers to assure that they are protected and not liable for inferior planning and services. We have been made aware that in some states liability insurance may not be available for some practices or is cost-prohibitive. NRCS should review bonding and insurance issues on a state-by-state basis to assess availability. Lack of insurance coverage could create a shortfall for technical service providers and hamper program delivery. NRCS should consider a means for providing liability insurance for service providers.

- Payment rates for technical service providers should be based on NRCS' cost of service. When calculating cost of service, the rate should be based on actual NRCS cost. The calculation of actual cost must include all costs (insurance/liability, office/administrative, et cetera.)

- The regulations lay out a complex system through which producers can utilize third-party technical service providers. Errors in timing and contracting procedures could result in producers not being reimbursed for planning costs. It is essential that NRCS produce a step-by-step procedure guide for producers planning to use technical service providers.

- Training and certification should be coordinated between states allowing technical service providers to operate on a multi-state basis. It will also be important to establish clear certification requirements for EQIP planning, recognizing that planning may also be utilized to satisfy Concentrated Animal Feeding Operation obligations.

We appreciate the opportunity to offer these perspectives on the conservation programs of the Farm Security and Rural Investment Act of 2002. These programs provide great opportunity to agricultural producers and great benefit to the non-farm public. We recognize the past accomplishments, present needs and future promise of our conservation programs as a vital part of U.S. agricultural production.

STATEMENT OF TIMOTHY LAATSCH

Good afternoon, Chairman Lucas. I am Timothy Laatsch of Carlyle, Illinois. I work with The Maschhoffs, Inc., a major pork producer in Illinois and other states, in the capacity of Environmental Systems Manager. I am here today to provide testimony on behalf of swine producers as well as cattle, dairy, swine, and poultry—collectively referred to as livestock in this testimony. We are very grateful to you and the Members of this Subcommittee for holding this hearing and for this opportunity to provide you with our views on the implementation of the conservation title of the 2002 farm bill. We cannot stress enough just how important it is to our producer members for the conservation title to be implemented well and effectively, and we welcome your commitment to this objective.

We know the members of this subcommittee understand better than anyone the significant economic contribution that livestock producers make to the U.S. agricultural sector. Livestock receipts were slightly more than \$100 billion last year, and they consistently average 50% or more of total agricultural receipts. We are the single biggest customers for U.S. feed crop producers, and our single largest expense, by far, is the feed we purchase for our animals. Without a doubt, livestock agriculture is value added agriculture.

As you might expect, livestock agriculture is similarly important to the management of our nation's agricultural lands. According to USDA, in 2000, grassland pasture and range was the single largest land use in the country, accounting for 578 million acres, or 31 percent of the major land uses in the lower 48 states. Livestock operators also manage a substantial portion of the more than 300 million acres of land used for cropland. These statistics alone provide ample justification for a major and substantial Federal investment in helping conserve the lands owned and operated by livestock and poultry producers.

Our associations and the producer members we represent worked very hard to secure an effective and well-funded conservation title of the 2002 farm bill. We very much appreciated the support that you and several members of this subcommittee provided to these programs. Our collective emphasis was on the Environmental Quality Incentives Program (EQIP), but the National Cattlemen's Beef Association also was and continue to be deeply supportive of and interested in the Grasslands Reserve Program (GRP). Many of those represented today also supported the Conservation Security Program (CSP) and continue to be very interested in the CSP program development in USDA that is underway today. The Farm and Ranchland Protection Program, Third-Party Service Providers, Technical Assistance are other issues of concern to us. Our comments today will focus on these programs and activities.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

Livestock producers made it a top priority to work together during the 2002 farm bill process to ensure that the Environmental Quality Incentives Program (EQIP) was well-funded and structured so that it could be of real help to our operations. We believed that EQIP could be of enormous help to a large proportion of livestock producers. In particular, we were and continue to be seriously alarmed by the ongoing and new water and air quality regulatory requirements being imposed on animal feeding operations (AFOs) and we very much wanted to ensure that EQIP would be used to help producers facing those challenges. Our producer members and many Members of Congress believed that the amendments made to EQIP in the 2002 farm bill sent a very clear and strong message that EQIP assistance must be made available for that purpose.

We understand that fiscal year 2003, the first full year after passage of a farm bill that substantially amended EQIP, represented a difficult transition period for the program. This was a challenge made even more difficult by both the appropriations cycle and the agency rulemaking process. Fiscal year 2003 appropriations were not finalized and signed into law until after almost half of the fiscal year was complete, delaying by several months USDA's Natural Resource Conservation Service's (NRCS) allocation of EQIP funds to the states. Adding to the delay and frustration, the EQIP rulemaking was not finalized until very late spring. Both of these factors meant that NRCS's state and local offices had only a few weeks to get trained, conduct final reviews and to approve contract applications.

Even though we recognize that these were difficult circumstances, our coalition of livestock and poultry groups are very troubled by the fact that inadequate EQIP financial assistance was provided to AFOs representing all of major livestock species. It is absolutely essential that in 2004 and beyond EQIP financial assistance

reach all AFOs, and that this assistance be of real utility relative to the regulatory requirements being imposed on our producers.

We address several other specific EQIP concerns below.

Pooling EQIP Funds at the State Level for Animal Feeding Operations In most states in 2003 NRCS placed all EQIP applications for assistance from AFOs into a single pool with all of the other applications. As a result, an AFO's need for assistance to meet a regulatory requirement was competing against other applications involving strictly erosion control, habitat development, pasture management, riparian management, and other sound natural resource needs that have little or nothing to do with the challenges critical to the AFOs.

There were some states in 2003 that took a different approach and pooled EQIP funds at the state level specifically for the purpose of addressing livestock applications for assistance. We believe that to the fullest extent possible, NRCS should set aside an adequate quantity of EQIP funds at the state level for the specific purpose of addressing AFO's needs for water and air quality protection assistance, particularly when producers need to adopt practices on the basis of current and emerging regulatory requirements.

Better Ranking Criteria for Producers Facing Regulatory Challenges. Many producers seeking EQIP's assistance with new regulatory challenges may have already done a good job of addressing certain of their operations manure management issues important to water or air quality. Many livestock producers are finding that this past performance is penalizing them now in the EQIP application review and approval process. In 2003 many livestock producers found their 2003 applications being denied because they had done a good job of conserving certain resources on their farms. This was the case even though one of EQIP's top purposes is to help producers meet new regulatory requirements.

Many of these producers have been counseled that their applications would fare better if their applications included erosion control or wildlife habitat objectives that are not directly related to the manure management regulatory requirement at hand. This is particularly troubling.

It is our view that EQIP's application ranking procedures must give substantial priority to helping a producer get water or air quality protection assistance to meet a regulatory requirement even if:

- They have already invested in a good waste management/land application system and/or good erosion control on their farm.
- Their application does not address erosion control objectives that are unrelated to the erosion control needs that are to be addressed to ensure sound manure management on their farm.
- Their application does not address wildlife habitat objectives that are unrelated, or at best, peripherally related to addressing their water or air resource conservation needs.

Comprehensive Nutrient Management Plans (CNMPs). Approximately 15,000 to 20,000 livestock producers nationwide will need to comply with the new confined AFOs feeding operation (CAFO) permit requirements under the Clean Water Act. The US Environmental Protection Agency has made it clear that the nutrient management elements of these permits can be fully addressed by something that NRCS has developed and calls a Comprehensive Nutrient Management Plan (CNMP). EQIP was specifically amended in the 2002 farm bill to make CNMPs a practice eligible for EQIP financial assistance. Beyond those operations subject to these permit requirements, there are tens of thousands of other AFOs that need and desire a CNMP. It is our view that EQIP, or some other appropriate program or authority available to NRCS, must be used to help every livestock producer that wants one get a CNMP. It is also our view and the view of many others that NRCS will have to draw heavily upon non-NRCS Technical Service Providers (TSPs) to get this CNMP work done.

Unfortunately, livestock producers received very little assistance from EQIP in 2003 for CNMPs. Several states did not create an explicit CNMP practice eligible for EQIP and instead expected producers to assemble a set of other EQIP eligible practices that collectively might constitute a CNMP without ever explaining to producers how this could or should be done. While other states did make a specific payment available to producers for a CNMP, this payment was not intended to cover the costs of using a TSP to prepare the CNMP. Producers were expected to find these TSPs themselves and then let NRCS compensate them—unfortunately the TSP compensation rates (called Not-To Exceed or NTE Rates) that NRCS has said it is willing to pay are anywhere from 75% to 90% lower than what it costs to prepare a CNMP. As a result, and not unexpectedly, no credible TSP is willing to consider working on CNMPs at those rates.

We believe that NRCS should use whatever authorities and programs it can to provide direct assistance to livestock producers to get CNMPs. Full use must be made of TSPs qualified to do CNMP work in this effort, and payment rates for this work must accurately reflect the true costs involved. Rather than using TSP not-to-exceed (NTE) payment rates that were not designed nor ever intended to be used for establishing compensation rates for CNMP work, NRCS should instead retain TSPs directly under contract to provide CNMP assistance to producers, and let the normal contracting process establish payment rates that are appropriate and reflective of what the market can bear.

Cost-Share Assistance for Mobile Equipment—Certain mobile equipment provides the best, most effective and cost efficient means to help ensure that manure is used properly and to protect water and air quality. Unfortunately, mobile equipment is currently not eligible for EQIP cost-share assistance and this must be corrected.

One of the top challenges facing livestock producers is applying their manure to more land to ensure that the nutrients can be properly managed. This point has been driven home to all of us and to the general public by recent reports by USDA's Economic Research Service and NRCS, as well as statements by policy officials and regulators (including the recent CAFO rulemaking) and by the environmental community.

Pipes, pumps, and other manure transport equipment are essential tools to help producers access more land economically and in a timely and more safe manner. Manure and waste water injection technology is going to be part of such systems and will also prove critical to air quality-odor reduction efforts while also protecting erosion-reducing surface residue. All of this equipment is largely mobile in nature. Such items can be accounted for in any contract implementation review or oversight process used by NRCS and therefore at little risk of being removed from the farm.

Cost-share assistance as opposed to incentive payments is by far the simplest and most helpful means of helping producers acquire this equipment and is by far the most preferred method.

Higher Ranking For Air Quality and Odor Control Practices—Practices that protect air quality are a top environmental priority for many livestock producers. Many of these air quality systems work in many locations to provide significant odor control benefits as well. Several practices involving the use of biofilters are already part of NRCS conservation practice standards. It is critical that NRCS understand these systems and their importance to livestock producers. EQIP applications seeking assistance to install these systems must be given a high priority.

Species-specific EQIP Application and Contract Data. NRCS has never before collected and reported information that breaks out by livestock species the EQIP applications they have received and the EQIP contracts approved. NRCS has now generated such information for 2003 on an ad hoc basis and that information has proved invaluable to helping us understand EQIP's performance in 2003. We appreciate this information and believe NRCS should treat collecting and reporting this information as simply a standard element of EQIP. When collecting and reporting EQIP information for each livestock species NRCS should include information on the numbers of applications, contracts and producer involved, the dollar values, the type of financial assistance, the resource concerns to be addressed and the conservation practices to be adopted.

Exclusion from Eligibility of Sectors of the Agriculture Industry—We are deeply concerned that the Department excludes custom feeders from eligibility for program participation. Custom operations have become an ever more important part of a diverse and complex agriculture operations. Custom feeding operations perform the exact same activity as do direct feeders and produce the exact same environmental effects. We had hoped and expected that EQIP would meet the actual environmental needs of production agriculture and that the Department would see its way clear through the complicated and interwoven regulations affecting these activities to support production agriculture.

CONSERVATION SECURITY PROGRAM

A number of members of the agriculture community were excited by the enactment of the Conservation Security Program as part of the 2002 farm bill. Other groups were leery of the new program, for fear that it would prop up inefficient producers and hurt the overall efficiency of the industry. Our overall goal is to create the regulatory and business environment in which our members can thrive and produce the food needed for America and the world. We will be particularly supportive of those aspects of CSP that promote the economic efficiency of producers.

Still, we all realize that CSP addressed a desire by some segments of society to reward producers who are good stewards of the land. Our intention is to work with

the Department and Congress to make the program and the principles underlying it be the most effective in helping livestock producers and the American public.

We are concerned with the direction the program appears to be taking after reviewing the proposed rule recently issued by the Department. Some feel CSP as envisioned in the proposed rule provides so few benefits for producers that many have commented to us that the program will not be useable on the ground. We urge the Department to consider a significant rewrite of the program in the final rule.

The program needs to be fixed in many ways, some of which are highlighted below:

Watershed Limitation. Last week's notice made it clear that NRCS plans to keep the restrictive watershed limitation it had originally proposed. The NRCS should heed the recommendation of thousands of comments in opposition to this part of the proposed rule and do away with it. With a fully funded program, a watershed limitation is not necessary. This is supposed to be a program which is available to producers nationwide. No reference was made in the law to giving preference to producers in a few "priority watersheds", except for enhanced payments made to producers who cooperate within a watershed. The watershed limitation severely and unnecessarily limits enrollment in the CSP and should be dropped.

Water and Soil Quality Requirements. NRCS should also do away with restrictive soil and water quality requirements. The proposed rule, and last week's notice, require that in order to be eligible to participate in the CSP, a producer must have already addressed significant water and soil quality concerns. Nothing in the statute requires that a producer must already meet criteria in order to participate. Part of the purpose of the CSP is to enable a producer to reach these minimum standards. To require that they already be met makes little sense and severely limits eligibility in the program.

We also are troubled by the priority placed on addressing soil and water quality concerns as a matter of policy. This priority will make it very difficult for producers to address environmental concerns important to livestock producers such as air quality. The CSP statute addresses ALL resource concerns in the FOTG, including soil, water, air, energy, plant and animal life, among others. The Department should implement the program in the same manner.

Feedlot Participation. The proposed rule limits the eligibility of feedlots to participate in the CSP. We urge the Department to treat all agricultural operations the same under the program.

Last week's notice restricted feedlot participation by excluding them from the definition of "eligible land uses" for prioritizing watersheds. This exclusion reduces the chance that watersheds with feedlots will be selected for participation even though these watersheds may present the most opportunities for environmental remediation.

In addition, the proposed rule prohibits feedlots from being included in the base payment. An underlying policy driving the CSP is for producers to be paid who voluntarily install conservation practices. If the NRCS wants and expects feedlots to adopt conservation practices, they should receive the same payments as everyone else, particularly now that a significant national program sets payment for practices as the social norm. Excluding feedlots from base payment eligibility flies in the face of one of the central purposes of the CSP program.

Low Payment Structure. The very low payment structure under the proposed rule must be reconsidered. The low payments would be a huge disincentive to participation.

The purpose of the base payment envisioned in the law is to encourage producers to participate and reward them for their conservation efforts. The base payment is supposed to equal the national rental rate, or other appropriate rate to reflect local conditions, for land enrolled in the program. Unfortunately, the NRCS proposed to reduce the base payment down to ten percent of the rate in the statute.

In addition, the proposed rule proposes cost share payments that are less than EQIP. Given the low base payments and low cost share, it is hard to understand why a producer would choose to participate in the CSP program at all. It makes little sense for a producer to lock himself into a minimum five-year commitment for a program that pays less than other programs.

OTHER CONCERNS

Benchmark Inventory. Requiring producers to develop their own benchmark condition inventory may act as a disincentive for program participation. While some producers will be able to create the desired inventory, others will not. The Department should consider allowing third parties to conduct the benchmark if producers seek the help.

Periodic Sign-Up. The proposed rule provides for periodic signup for the CSP. We believe that the sign-up period should be continuous so that producers can sign up during a time that is convenient for them.

Grassland Reserve Program (GRP) and the Farm and Ranchland Protection Program (FRPP). Landowners across the West and the Midwest are anticipating the release of the rule for the Grassland Reserve Program. Members of our groups were among the principle drivers behind the creation of the program during the last farm bill. A principle concern in supporting the program was to keep large grass landscapes intact for working ranches and biodiversity by providing an incentive to keep the land intact and not break it. It is widely recognized that the biggest threat to biodiversity is the conversion of landscapes out of natural and grass conditions. The relatively simple notion of keeping grass intact reflects the interest of our groups in seeing that program money get spent on the narrow, though critical, goal of the program and not for ancillary activities.

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We are concerned the Department is moving away from this basic concept in its implementation of the program. Moreover, we are concerned the Department is implementing the GRP and administering the FRPP in a way that is not sufficiently respectful of the rights of private landowners. Many of our members do not believe GRP as cast in the interim-final rule is responsive to the needs of producers and are reluctant to urge participation in them. We will be seeking to cure many of the defects in the interim-final rule through our comments to the Department, and then legislatively if necessary.

First, the NRCS requirement that a conservation plan be developed in conjunction with GRP contract and easements was considered and rejected by those who drafted the statute. The grass is either kept intact or not. The recently issued interim-final rule defines conservation plans as describing operations and activities needed to solve identified natural resource problems. The plan requirement seems completely unnecessary in light of the straightforward and entire goal of the GRP to keep grass intact.

Requiring the production of a conservation plan makes more sense in connection with the Conservation Security Program which explicitly contemplates implementation of progressive levels of conservation practices to meet ever more comprehensive resource threats. At a time when NRCS is concerned about whether it will have sufficient technical assistance dollars to pay for program implementation and its core conservation activity, we believe that production of conservation plans in connection with GRP contracts and easements is a particularly poor use of these funds, and not consistent with the spirit animating the program.

A key goal of the program as drafted was to extend the reach of conservation to producers who do not normally participate in programs. So the statute authorizes the Secretary of Agriculture to transfer ownership of program easements and contracts to qualified third party land trusts. The underlying issue is that a number of our producers are not comfortable selling an easement that will be held by the government. These producers would be more likely to enroll in the program if a non-Federal entity owned the easement. Unfortunately, the Department somehow misconstrued this provision of the program and has barred ownership of program easements and contracts by third party land trusts. We seek remedial legislation to further clarify this issue.

Nothing in the GRP statute requires grasses enrolled in the program to be managed to a particular standard. Yet, the rule calls for land enrolled in the program to be managed to a "conservation management system" level pursuant to conservation plans. This requirement goes beyond what Congress intended for the program and will further inhibit program participation by those of our members who are fearful of assuming a heavy regulatory burden from in a government program.

Further we do not understand why land enrolled in the program must be managed to protect all resources (soil, water, air, plants, and animals), and not just grasslands. NRCS is reaching far beyond what was contemplated when the program was first conceived and we urge Congress and the Administration to work with us in more narrowly tailoring the implementation of the program to its original goals,

and to make the program more accessible to our members in the manner described above.

With respect to the Farm and Ranchland Protection Program, we are concerned the program is not sufficiently sensitive to property owners. In particular, the Department lacks adequate procedures for notifying landowners when monitoring visits will be conducted on their property. Additionally, the Department lacks clear criteria for defining when the Department will assume an easement that had been held by a third party land trust.

We have been working with the Department on the Farm and Ranchland Protection Program issues and hope we will be able to reach a satisfactory resolution of the issues with them. We will also keep the Committee apprised of our progress on these matters.

Wildlife Habitat Incentives Program. Our community supported reauthorization of the WHIP to help our producers meet the regulatory burdens imposed by the Endangered Species Act. The Fish and Wildlife Service is in the process of deciding whether to list the sage grouse, which should it be listed would affect land use in 11 states in the West. We applaud the efforts of NRCS to use WHIP in conjunction with many other Federal and state efforts to help conserve sage grouse habitat and avoid the need to list the bird.

EQUIP and Technical Assistance Costs. This coalition of livestock groups was dismayed and concerned over the disagreements about how the technical assistance costs of the conservation title's programs were to be paid. We were deeply concerned when it became apparent that funds were going to be diverted in fiscal year 2003 from EQUIP, the GRP, the Wildlife Habitat Incentives Program (WHIP) and the Farm and Ranchland Protection Program (FRPP) to support the implementation of the Conservation Reserve Program (CRP) and Wetland Reserve Program (WRP). Unfortunately this situation persists in 2004 and anywhere from \$60 to \$110 and even more could be diverted from EQUIP to pay for CRP and WRP technical costs every year of this farm bill. This is simply unacceptable given livestock producers and other farmers' needs for EQUIP assistance.

We supported in 2003 and continue to support Congress taking action to correct this situation. We adhere to the principle that each of the 2002 farm bill conservation programs should pay for their own technical assistance (TA) costs. We do not support the use of funds from one set of farm bill conservation programs to pay for the TA of other farm bill conservation programs.

We support the provision in the Senate's 2004 Budget Resolution making a technical correction in the Budget Committee's baseline for the CRP and WRP to include the funds needed to pay their own technical assistance costs. We are supporting the inclusion of this provision in the Conference Committee's report on the Budget Resolution. If this occurs, we wholeheartedly support Congress passing subsequent authorizing legislation that would direct USDA to use those funds to pay for the CRP's and WRP's technical assistance costs and hope that this Committee would help make that happen.

Technical Service Providers (TSPs). Livestock producers recognized in the 2002 farm bill debate that the scope, intensity and type of new conservation and environmental work was going to be more than the existing NRCS staff could handle. Just the sheer volume of work ensures that was the case, but also the skill sets necessary to do the work also meant that NRCS was going to have to conduct major new training programs for a significant number of new or existing employees, and/or NRCS would have to rely on non-NRCS technical service providers that already have these skills and capabilities. Nowhere was this more evident in the need for comprehensive nutrient management plans (CNMPs), but this concern was appropriate for several other technical areas including grass and pasture management, wildlife habitat establishment, as well as advanced nutrient and pesticide management. Livestock producers believed that budget and hiring realities meant that NRCS would have to put particular emphasis on the use of TSPs, and it was for this reason that we supported the expansion of the TSP provisions in the farm bill and the added emphasis on their use.

The rulemaking implementing the TSP provisions provide considerable flexibility to NRCS in finding appropriate and effective ways to make use of TSPs. But the rulemaking and subsequent implementation by NRCS in the States has placed primary emphasis on one particular approach relying on producers to have an advance agreement with NRCS, and then locate an NRCS certified TSP of their choice to carry out a particular technical assistance task, pay that TSP for the service and then submit to the NRCS an invoice for the cost with supporting documentation. NRCS has apparently emphasized this approach out of an interest to introduce market-like forces and elements of competition into the process, and to provide producers with the maximum choice possible about the TSP they would be using.

While laudable objectives, we find the particular approach taken by the rule-making and its implementation to be extremely cumbersome and unwieldy, creating far too much uncertainty and management costs of the producer, and in general unnecessarily complicating the entire process. Adding to this complexity has been NRCS's attempt to develop county-by-county specific not-to-exceed (NTE) payment rates for a broad array of technical services. Most producers and TSPs have found this system very difficult to understand and use, and as a result has significantly diminished or eliminated producers use of TSPs under this particular approach.

At the same time our groups recognize and appreciate the fact that NRCS worked hard with its states to ensure that at least \$20 million in technical assistance was provided through TSPs last year, and that they are working hard to double that amount to \$40 million in 2004. While this is a relatively small amount given the work that needs to be done, it is a definite start. It is our understanding that the vast majority of these funds have been spent using an alternative approach to that described above. Most of those funds were used to retain TSPs in 2003 through the use of direct contracting arrangements between a TSP and NRCS for a specific set of technical services. Competition among TSPs for these contracting arrangements ensures that market forces are brought to bear on the rates being paid. NRCS sends the TSP to producers known to need the services and the administrative burden on the producer is greatly reduced.

We believe that this type of direct contracting approach is far superior to producer-centered process provided in the TSP rulemaking. We strongly encourage NRCS to aggressively pursue the use of TSPs through the direct contracting approach and to expand the use of TSPs to ensure that producers are getting all of their technical support needs met.

Accountability in Technical Assistance. Whether it is provided by TSPs or NRCS's own staff, we fully support NRCS's efforts to continue to create a system that can fully and explicitly account for how technical assistance funds are being used by NRCS in support of its programs and missions. Without such a system it is becoming harder and harder to provide decision makers and policy officials with credible justification for why farmers need this assistance and why funding for it should continue.

STATEMENT OF OF SHERMAN REESE

Mr. Chairman and Members of the Subcommittee, my name is Sherman Reese. I am a wheat grower from Oregon and Vice President of the National Association of Wheat Growers.

I am pleased to appear before the subcommittee to present testimony on behalf of the National Association of Wheat Growers, the American Soybean Association, the National Barley Growers Association, the National Corn Growers Association, the National Cotton Council, the National Grain Sorghum Producers, the US Rice Producers Association and the USA Rice Federation on implementation of the conservation title of the Farm Security and Rural Investment Act of 2002.

We would like to thank you and the subcommittee for your leadership in helping to craft a conservation title for the 2002 farm bill that represents, in the words of President Bush, "The single most significant commitment of resources toward conservation on private lands in the Nation's history."

Your leadership helped to expand successful programs such as the Environmental Quality Incentives Program (EQIP), the Conservation Reserve Program and the Wetlands Reserve Program. These voluntary, incentive-based programs are used by many of our members and provide numerous environmental benefits.

We support the changes in the Wildlife Habitat Incentives Program, which offers farmers a unique opportunity to receive NRCS technical assistance and cost share funds to install conservation practices that improve wildlife habitat on private lands. We also appreciate the promising new programs, such as the Grassland Reserve Program (GRP) and the Conservation Security Program (CSP). GRP authorizes enrollment of up to two million acres of restored, improved, or natural grassland, range land and pasture land. CSP, if properly implemented and administered, can provide an unprecedented opportunity to increase conservation practices and generate positive results on private working lands.

Yet not all is perfect. We realize the difficulties NRCS has faced in attempting to write a proposed rule for CSP with ever-changing budget parameters and less-than-clear signals from Congress. We continue to be concerned about the ongoing debate over funding sources for technical assistance. We understand the larger budget picture and its implications for conservation and agriculture. And we raise

a new issue today with the intent of beginning a dialogue with the subcommittee on the future direction of conservation programs.

Regarding CSP, the proposed rule is not what our members expected. While USDA announced it will publish an interim final rule soon, no significant changes are anticipated. Most of our members believe that in the rule's proposed form they will not be able to participate in the program.

Another primary concern is the definition of an agriculture operation. The proposed requirement that an applicant must include all lands that he or she has under his or her control and the requirement that an applicant must have control of the land for the life of the contract will be challenging, especially when applied to diversified, commercial operations. We have encouraged NRCS to be consistent and adopt the same farm definitions used by other farm and conservation programs administered by USDA.

Enactment of the 2004 Omnibus Appropriations measure removed funding limits previously imposed on CSP. CSP was intended to be operated as a mandatory program, and the final rule should reject arbitrary limitations on participation. The proposed rules are constructed as if the program will be capped instead of based on the law.

CSP is supposed to be a program for all producers on all working lands addressing one or more resources of concern on all or part of their farming operation. In this light, the concept of priority watersheds remains problematic.

My farm is located in one of the 18 watersheds selected for the program for this year. Although I farm in the Umatilla watershed, if I do not meet the right enrollment category or match the correct funding priority, I will be unable to participate for many years into the future. And if a farmer is not fortunate enough to be included in a selected watershed, they are also out of luck at least for several years. In addition, shrinking the base payments from five percent, 19 percent and 15 percent to one-tenth of those respective amounts for Tiers I, II and III, as well as reducing the 75 percent cost share, will make it difficult to encourage producers to participate.

Regarding technical assistance, it appears that the interpretation of the provisions of the farm bill and language added to the 2003 Omnibus Appropriations measure has eroded program resources as well as the confidence and support of our members.

For example, last year the EQIP program was initially authorized at \$700 million. The appropriations committee reduced it to \$695 million. Year-end funding stood at \$558 million as a result of the interpretation that requires EQIP to contribute funds for technical assistance requirements of the Conservation Reserve Program and the Wetlands Reserve Program.

This situation needs to be resolved soon. Worthy projects are going unfunded and needs are unmet. We support requiring each conservation program to pay its own technical assistance and urge an administrative fix as soon as possible.

Regarding the budget, we understand the 2002 farm bill was enacted during a time of budget surplus and is being implemented during a time of budget deficits. Clearly, there are increasing pressures to restrain domestic spending, but the farm law was written in compliance with the Budget Resolution in effect at the time. Therefore, the programs authorized in the farm bill and signed into law by the President nearly two years ago should be implemented as authorized.

We strongly oppose efforts to amend, alter or siphon off funding from programs included in the 2002 farm bill. Nor do we believe that one conservation program should be funded at the expense of another, or that title II should be funded at the expense of title I. The 2002 farm bill should remain intact with original funding commitments honored. Our members have made long-term planning decisions based on the farm bill. Altering support levels provided would cause unnecessary disruption across the farming community. It is vitally important that we retain the balance we achieved during the farm bill. Congress must protect it.

Regarding the future of conservation programs, many of our members have expressed concern with how the programs are being implemented on the state and local level. Many believe their knowledge and expertise are ignored and not wanted. They believe they are essentially shut out of state technical committees, which as a result are dominated by paid professionals who usually do not have the farmer's best interest at heart. Our members are discouraged by backlogs in funding and seemingly arbitrary funding decisions.

Our members want to do what is right. They want to do more conservation. We should help them do it. Yet, we do not believe that just more money will solve these problems. We know that alone does not achieve results for the environment or is what the taxpayers want. Our members are more than willing to work with the agencies to find program efficiencies to hold down program costs, but this will not

work if they are locked out from participating in the programs. We should focus on what works and finding the best way to do it, setting aside bureaucracy, infighting and political agendas. Our organizations will be working on this issue and hope the subcommittee will join us.

We appreciate this opportunity to present our views and will be pleased to respond to any questions.

STATEMENT OF BILL WILSON

Mr. Chairman and members of the subcommittee, I am Bill Wilson, from Kinta, Oklahoma. I am president-elect of the National Association of Conservation Districts (NACD) and have served as a district official for the Haskell County Conservation District since 1980. I am also a founder and past chairman of the National Watershed Coalition.

I own and operate a 660-acre cow/calf, horse and mule ranch in East Central Oklahoma, am a registered land surveyor in both Oklahoma and Arkansas and have worked many years to restore Dust Bowl era farm fields into productive pasture land.

NACD is the nongovernment organization that represents the Nation's 3,000 conservation districts and the more than 16,000 men and women district officials who serve on their governing boards. Conservation districts are local units of government established under state laws to carry out natural resource management programs at the local level. Conservation districts work with the Natural Resources Conservation Service (NRCS) and other agencies and organizations to provide technical and other assistance to millions of landowners and others to help them manage and protect the Nation's land, water and related resources. Conservation districts provide the linkage for delivering many Federal, state and other local natural resource programs at the local level.

I am here today to share with you the conservation district perspective on implementation of the conservation title of the 2002 farm bill. Conservation districts work shoulder-to-shoulder with NRCS every day in implementing most of the provisions of the conservation title. Districts also work closely with the Farm Service Agency in carrying out the Conservation Reserve Program (CRP) and, in fact, approve the conservation plans developed for the CRP. As we talk today about the farm bill conservation programs, I urge you to keep in mind that I speak on behalf of the people who work at the very point where the programs you authorized are delivered to the customers.

Throughout our history, conservation districts have strongly supported voluntary, incentive-based approaches to private working lands conservation a theme repeated throughout the 2002 Acts' conservation title. We also believe the best way to achieve conservation is through local decision-making with input from all stakeholders and customers to identify natural resource priorities and objectives.

Today, conservation district staff number more than 7,000 employees of all types, many of whom are involved in the delivery of the farm bill's conservation programs. State and local governments also contribute nearly a billion dollars a year to carry out our Nation's private lands conservation efforts. Private landowners, businesses and other interests add more than another billion dollars to this collaborative effort as well.

The Nation's 3,000 conservation districts appreciate the leadership and vision that members of this subcommittee provided in developing the most sweeping conservation title in the history of farm bills. We also appreciate the administration's efforts in getting most of the program rules published.

Conservation districts have been involved with the farm bill conservation programs from the very outset. Many conservation districts were involved in discussions with their members of Congress when the farm bill was being developed, helping chart the course of the programs. A number of districts submitted comments on the rules proposed to implement them as well. On the ground, we play a big part in delivering the conservation title programs by identifying resource objectives, setting priorities, developing and approving conservation plans, and helping to leverage funds to enhance their effectiveness. Hundreds of conservation districts have also entered into Technical Service Provider agreements with NRCS to deliver additional technical assistance and other services to help producers get conservation on the land.

The funding increases enacted in the 2002 conservation title were a clear signal that the American public considers conservation a high priority investment of considerable value to taxpayers. The new funds are allowing us to not only address

some of the huge backlog of conservation requests throughout the nation, but also to achieve many more of our conservation objectives nationwide.

Up to this point, with a couple of exceptions that I will discuss later, Congress has allowed, and the administration has apportioned, nearly the full level of mandatory funding authorized in the conservation title. The working lands programs, EQIP and FRPP, have received about 98 percent of the funds approved in the law. WRP, CRP, and GRP have also been reasonably funded up to this point. WHIP, on the other hand, has been seriously underfunded partly as a result of its status as a CRP/WRP donor program, an issue I will address later.

Overall, the changes made to these programs are working well. Administrative procedures have been streamlined and, although there are still many producers on waiting lists, many more are receiving the assistance they need to put conservation practices in place. As a result, we are seeing decreases in soil erosion, improvements in water and air quality and fish and wildlife habitat exactly the results we expected from the conservation title. We're making substantial progress in achieving many public benefits, but there's still a lot left to be done.

That brings me to our concern that the fiscal year 2005 budget request, instead of moving forward, would slow the progress we're making. The proposal on the table would cut EQIP by nearly 20 percent, WHIP by more than 31 percent and WRP by 20 percent from their authorized levels. It also caps the CSP at an arbitrary level instead of fully funding it as a national program. Discretionary funding for the Small Watershed Rehabilitation Program is proposed at a little more than \$10 million \$55 million below its authorized level. Its CCC authorized funding, \$55 million for fiscal year 2005, has never been used and is again proposed for zero funding.

We are troubled, too, concerning the future of the Forest Land Enhancement Program (FLEP), which is authorized at \$100 million in mandatory spending through 2007. In fiscal year 2003 \$20 million was made available for FLEP. In 2004 \$10 million was apportioned but then frozen by the White House Office of Management and Budget. The President's 2005 budget proposes to cancel the remaining \$70 million authorization. We understand others are proposing to repeal the program. During the discussions leading up to the enactment of the farm bill, conservation districts strongly supported FLEP's purpose to assist forestland owners improve the long-term sustainability of nonindustrial private forest lands and continue to do so. We are very much opposed to dismantling this crucial program especially without even allowing it a chance to succeed.

Given all the good conservation work these and the other conservation title programs are accomplishing, we believe cutting back on the funding would be a huge mistake. We strongly support continuing funding for the conservation title at the full levels authorized by the law. (See the attached chart for details on specific funding recommendations.)

Technical assistance is another issue of concern to conservation districts. After much contentious debate, the issue of whether CCC funds could be used to fully fund technical assistance for each of the mandatory title II programs, was largely settled for all but the two acreage-based programs CRP and WRP. Language in the Agricultural Assistance Act of 2003 (Omnibus) made it clear that technical assistance funds would be available for FRPP, EQIP, WHIP and GRP, but because of certain constraints, that language failed to include the CRP and WRP. The result is that until that issue is addressed, the only way those two programs can operate will be for the other four to donate funds to them to cover their technical assistance needs, thereby reducing the technical and financial assistance available to producers participating in the donor programs.

We do not believe this is what the bill's managers intended. We encourage you to fix this problem as soon as possible. We ask that you support the approach provided in The Joint Explanatory Statement of the Committee of Conference of the 2005 Budget Resolution and strongly encourage its adoption in the final resolution.

As you examine the 2002 farm bill conservation programs, we urge you to carefully examine implementation of the Conservation Security Program. The CSP was introduced and enacted with much deserved fanfare. It signaled the beginning of a new era for private lands conservation with almost unlimited potential to help producers conserve, protect and better manage our natural resources. For the first time, all producers on all lands would be eligible to participate in a program that not only encourages the adoption of new conservation measures, but also would reward those who have been and continue to practice good stewardship on America's working agricultural lands.

In January, NRCS published the long-overdue proposed rule to implement the CSP. Given the many changes that occurred after its initial enactment, we recognize the difficulties of developing a proposed rule based on frequently changing assump-

tions, and we compliment NRCS on navigating this process through a continuously evolving environment.

NRCS received more than 10,000 separate written responses containing over 20,000 specific comments on the proposed rule. On June 9, the agency released an interim final rule that made few changes to the proposed rule. Therefore, we continue to raise several issues that need to be addressed before NRCS issues a final rule.

First, we remain concerned that the very complex eligibility requirements, discounted stewardship payments and limited cost-share payments for conservation practice installation and maintenance are contrary to the language in the statute and will provide very little incentive for producers to apply to enroll in the program. Although the discount factor applied to the stewardship payments formerly called base payments was mitigated somewhat in the interim final rule and made proportional to the tier participation level, those rates are still not consistent with the statute.

We encourage NRCS to re-think these decisions and follow language in the statute with respect to stewardship (base) payments and cost-share and maintenance payments. Further, the 15 percent technical assistance level in the statute was, in part, predicated on those payments being far higher than the proposed rule allows. The decisions on those issues will have a major impact on whether or not the program is seen as rewarding good stewards and providing the incentives that make it worthwhile to participate.

The statute provides for a nationwide program under which all agricultural lands could be eligible. Since funding in 2004 is limited to \$41 million, however, NRCS has proposed to limit enrollment to producers in highly targeted watersheds who meet relatively stringent eligibility requirements. Although we do not believe this approach was intended for CSP as an uncapped program, we understand the need to develop a temporary alternative model given the limited funding in 2004. Now that the funding cap has been lifted, the rule needs to be constructed to support CSP implementation as a true nationwide program. Since interest in the CSP is still very high, we encourage decision-makers in Congress and the administration to work toward that goal swiftly.

Also with respect to the CSP, questions have arisen as to whether the 15 percent limitation on the use of CSP funds for technical assistance is adequate. We believe that by implementing the program according to the statute with the full authorized levels for cost-share, stewardship, maintenance and enhancement payments 15 percent should be adequate. We do not believe that CSP was meant to support the development and application of engineering-intensive, animal waste structural practices that require high levels of technical assistance. In fact, the law specifically prohibits payments for construction or maintenance of animal waste storage or treatment facilities or associated waste transport or transfer devices for animal feeding operations or purchasing or maintaining equipment or non-land-based structures that are not integral to a land-based practice. Although practices needed for the cost-share and enhancement payments would likely require a higher level of technical assistance to implement, the stewardship and maintenance payments would require very little technical assistance bringing the overall level of technical assistance funding needed to around the 15 percent range of the funds available. (Please see the attached chart and explanatory notes.)

Along with the substantial increase in conservation funding, the 2002 farm bill has brought about a tremendous increase in the workload of NRCS and its partners, generating a demand for many additional staff years to address that workload. Even with the additional technical assistance funding, the mechanisms are not in place to significantly increase the staff resources needed to provide the help producers need to put complex conservation practices in place.

Despite that fact, the fiscal year 2005 budget estimate provides for about 3,200 farm bill program staff years, 500 less than this year and far less than the total need. The Technical Service Provider initiative will help fill some of that gap, but not nearly all. And even that will take several years to reach full implementation. We encourage Congress and the Administration to consider ways in which to address this staffing shortfall.

In closing, I again would like to commend you for your vision and foresight in crafting the farm bill's conservation title. As we move closer to 2007 and the next farm bill reauthorization, it will become ever more critical to resolve the issues raised here today CRP and WRP technical assistance, the arbitrary cap on the CSP and the need for higher staffing levels. Our performance in carrying out the 2002 conservation title and delivering on the promises of cleaner water, purer air, healthier soil and diverse and abundant fish and wildlife will be important in providing the benefits the American public expects.

We appreciate the opportunity to present our views and look forward to working with our conservation partners at USDA and our customers on the land to realize the even greater benefits the future promises.

STATEMENT OF DAVID HARMS

Good morning and thank you for the opportunity to speak with you today about the Technical Service Provider program. My name is David Harms. I am President of Crop Pro-Tech, Inc. an agricultural consulting firm based in Bloomington, Illinois. I started Crop Pro-Tech over 27 years ago. Today, we provide consulting services in Illinois, Indiana and Iowa covering about 100,000 acres. We have 10 permanent and 19 part-time staff. I am a Certified Crop Adviser and Certified Professional Agronomist. I am also a registered Technical Service Provider with USDA-NRCS.

Today, Mr. Chairman, I am here speaking with you on behalf of the American Society of Agronomy's Certified Crop Adviser Program. There are approximately 14,000 CCAs throughout the United States and Canada with about 12,500 of them residing in the United States. CCA is the largest agriculturally oriented certification program in the United States with over 400 volunteers serving in some capacity to provide leadership and guidance for the program's activities. These volunteers represent academia, government and industry. This diversity helps provide the program's strengths and aids in setting its standards.

Each CCA must pass two comprehensive exams covering nutrient management, soil and water management, integrated pest management and crop management. They must detail their experiences and educational background and provide supporting references. A CCA must sign and adhere to the CCA Code of Ethics and earn 40 hours of continuing education every two years to remain certified.

CCAs have a Memorandum of Understanding with the USDA-NRCS recognizing them as Technical Service Providers in nutrient management, pest management and tillage practices. CCA was the first to have such an agreement under the 1996 farm bill as a Third Party Vendor and more recently under the 2002 farm bill as a Technical Service Provider.

That brings me to why we are here today. To discuss how the Technical Service Provider program is functioning. We have included comments from CCAs from across the country in our written testimony. When asked how they would rate their satisfaction with the overall TSP program, 40% were satisfied and 60% were unsatisfied. In general there has been a lack of information leading to misunderstandings that resulted in frustration by those who were trying to register as TSPs. The biggest challenge for those that are TSPs is getting paid for work completed. This too has added to the frustration, little to no funding for technical assistance or promised payments that have not yet materialized.

Overall funding is only part of the problem, how it is distributed is a bigger challenge for the private sector TSP. As a representative of the private sector, agronomic TSP community, very little to any funding has reached this segment. To use USDA's numbers from 2003, of the approximately \$23 million that was allocated for technical assistance through TSPs, about \$1 million reached private sector (for-profit) TSPs. That is less than 5% of the \$23 million with the balance going to traditional NRCS organizational relationships. Much of this was credited to the short time frame between when funding was allocated and actually released forcing USDA-NRCS to use existing relationships not allowing time to develop additional ones. We are told that the request for technical assistance by the department is \$40 million with a minimum of \$30 million for 2004 but this has yet to be released.

This increased funding will help but let me go back to my earlier comment. The challenge for the private sector TSP is how the funding is distributed. The Not To Exceed rates were released with very little explanation causing much confusion on how they actually worked. Many CCAs thought that USDA was setting the price someone could charge a customer for a specific service. This was not the case but the resulting misunderstanding compounded by the complexity of the process discouraged those in the private sector from being involved. The process needs to be simplified and clearly explained. We commend USDA on recent attempts to do that and to update the Not To Exceed rates later this summer. We also understand the USDA's desire to contain costs and set parameters but they need to be as realistic as possible. The current rates are viewed as unrealistic in many locations. We would strongly recommend that USDA use both private and public sector entities examples when setting these rates.

The distribution of technical assistance funds in cooperative and contribution agreements is not available to for-profit, private sector entities. How can a private

sector entity compete with a public sector entity or not-for-profit entity that is able to develop cooperative or contribution agreements with USDA? It can't.

Congresses intent, in our opinion, was to provide additional and alternative resources of technical assistance for landowners to meet environmental demands in a timely manner through the TSP program. It still has that potential but it has not been realized and it will not be due to the current level of frustration and how funding is distributed to private sector entities. One suggestion for improving the distribution of funds would be to designate a percentage of the overall technical assistance funds to cropping systems and clearly state what segment of the cropping system technical assistance is for private sector TSPs and public sector TSPs. This would help clear up misunderstandings and motivate the private sector to participate if that is what is truly wanted.

At this point in time, the TSP program has not measured up to its potential. There is a high level of frustration as documented in our CCA TSP survey. The private, agronomic consulting TSP sector is losing much of its earlier interest and desire to be part of the TSP program. Some say this was the intent and that is why there are so many obstacles and a general lack of information. There are many examples where positive working relationships have been established between NRCS, conservation district staff and CCAs from the private sector. CCAs would like to continue to build on these positive relationships and work to improve the TSP program but we can't do that alone. It will be very difficult to make progress in this area if the process is not streamlined and the funding distribution challenge improved.

Thank you again for allowing the American Society of Agronomy's Certified Crop Advisers to have time on your agenda and to share our experiences with the TSP program. We look forward to working with you to make this the program Congress intended it to be.

STATEMENT OF CRAIG COX

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today. My name is Craig Cox; I serve as Executive Director of the Soil and Water Conservation Society. Today I am representing a coalition of agriculture, conservation and environmental organizations including American Farmland Trust, Center for Science in the Public Interest, Defenders of Wildlife, Environmental Defense, Henry A. Wallace Institute for Agricultural and Environmental Policy at Winrock International, Mississippi River Basin Alliance, National Wildlife Federation, Sierra Club, Soil and Water Conservation Society, Sustainable Agriculture Coalition, and Union of Concerned Scientists. All of our organizations are vitally interested in the implementation of the conservation title of the Farm Security and Rural Investment Act of 2002.

The reason for our interest is both simple and compelling. You made a historic investment(rivaling that of the 1985 bill(in conservation and environmental management when you passed the conservation provisions of the 2002 farm bill. Moreover, those provisions broke new ground in their emphasis on conservation and environmental management of working land(the cropland, pasture, and rangeland that produces agricultural commodities and environmental benefits simultaneously. The conservation provisions of the 2002 farm bill create a remarkable opportunity to enhance environmental quality and ensure the commercial viability of U.S. agriculture.

We applaud you for directing your attention to assuring that the farm bill's conservation provisions pay off for taxpayers, agriculture, and the environment. We would like to offer suggestions in six areas to contribute to achieving that promise: 1) funding, 2) technical assistance, 3) the Conservation Security Program (CSP), 4) environmental performance, 5) the Farm and Ranch Lands Protection Program (FRPP), and 6) Conservation Compliance.

Funding. You mandated an increase in funding of nearly 80 percent when you passed the 2002 farm bill—a major step forward. Your historic investment in conservation and environmental management, however, appears at risk. Through fiscal year 2004, conservation programs funded through the Commodity Credit Corporation (CCC) have actually received about 94 percent of the total funding you made available, excluding the CSP, Wetlands Reserve Program (WRP), and Grasslands Reserve Program (GRP). That is the good news. The bad news is that conservation programs subject to annual appropriations have received only 23 percent of the funding you authorized. More important, we lost a full year and three-quarters of implementation of the Conservation Security Program (CSP). The appropriations bill has restricted the WRP to a slower enrollment than provided by the farm bill.

Also, when accounting for the losses to the four so-called donor programs from which money has been shifted to cover technical assistance costs for other programs, the 94 percent funding level mentioned above drops to just 85 percent.

Conservation programs, then, have already taken substantial cuts, and the President's Budget Request for fiscal year 2005 proposes more cuts. Only three programs—the Farm and Ranch Land Protection Program (FRPP), the Ground and Surface Water Conservation Program, and the Agricultural Management Assistance Program—are proposed to receive their full authorized funding. The President's request for all other conservation programs is well below authorized levels. His request for EQIP, for example, is \$200 million, or 17 percent, below the 2002 farm bill authorized level. Proposed funding for the Wildlife Habitat Incentives Program (WHIP) is 30 percent below its authorized level. Other programs take more severe cuts.

The President's proposed cuts in conservation programs are particularly troubling at a time when relatively high commodity prices are, thankfully, adding to farmers' bottom lines but subtracting from your bottom line (agriculture's budget baseline). Conservation and environmental management are fundamental to a prosperous future for U.S. agriculture. Indeed, those objectives are the primary motivation for our organizations to appear before you today. We recognize, however, that conservation and environmental management are not the only objectives that must be achieved for U.S. agriculture to prosper. Preserving agriculture's budget baseline is important to all of us. Full funding of the farm bill's conservation provisions is an important and popular way to shore up that baseline. But most important, full funding of the conservation provisions is the only way to ensure that taxpayers' investment really pays off for those who pay the bill but live far from the farm.

We urge you to exercise your leadership to ensure all of the funding you made available for conservation and environmental management is actually realized in fiscal year 2005 and beyond. The groups I am speaking for today have recently written to your colleagues on the appropriations subcommittee, urging them to resist the temptation to place limitations on mandatory farm bill conservation funding and to keep faith with the funding decisions Congress made in the farm bill. We urge you to continue your efforts to ensure such an outcome.

Technical Assistance. The capacity to deliver high quality technical advice, consistently and within a reasonable amount of time, is the single most important factor that will determine whether the investment you made in 2002 pays off for taxpayers, producers, and the environment. That is true now, more than ever, as producers face a complex environmental agenda. Water quality, air quality, water conservation, endangered species, and a multitude of other environmental concerns now drive the conservation agenda. Meeting those challenges requires a robust technical services infrastructure. That infrastructure is comprised of research, education, and technical assistance.

You recognized the importance of one component of that infrastructure (technical assistance) when you mandated that conservation programs funded from the CCC pay their own way for the technical assistance needed to apply the conservation practices funded by financial assistance programs. Your efforts have paid off with about \$678 million in CCC funds for technical assistance since the 2002 farm bill was signed into law. That is an important step forward.

Unfortunately, events since passage of the farm bill have clouded your accomplishment. The Department of Justice opted to interpret the farm bill in a manner that severely restricts CCC funding for conservation technical assistance, despite statements opposing that interpretation from many Members of Congress and from the U.S. General Accounting Office.

In the next major chapter of this ongoing technical assistance funding crisis, Congress, in the Omnibus Appropriations Act of 2003, mandated that four CCC-funded conservation programs (FRPP, GRP, EQIP, and WHIP) pay their own way on technical assistance. In addition, Congress permitted (though did not direct) USDA to use CCC funds intended for those four programs to also be used to fund technical assistance for four other conservation programs (WRP, CRP, Klamath Basin, and Ground and Surface Water Conservation). This policy on funding of technical assistance for CCC-funded conservation programs remains the same in the Omnibus Appropriations Act of 2004.

The conflicting interpretations of congressional intent and the resulting unsatisfactory and partial solutions applied to date in an attempt to resolve those conflicting interpretations have short-changed taxpayers, producers, and the environment. The net monetary impact has been to reduce farm bill conservation spending by roughly \$100 million per year. This funding is being taken away from programs that already are fully subscribed, with demand exceeding the dollars available. These funds are being withheld from farmers and ranchers who want to implement activi-

ties to improve soil and water quality and conservation, enhance wildlife habitat, save wetlands, and preserve farmland. We hope you agree with us that this result is unacceptable.

We see only two options to solve this nagging problem. The first and best option is for the Administration to revisit the Department of Justice findings and conclude that Congress clearly intended that CCC funded financial assistance programs should pay their own way for technical assistance. The Administration should use its existing authority to pay for CRP and WRP technical assistance using CCC funds. Technical assistance for dollar-capped programs with direct funding should be drawn from the CCC dollars authorized for those programs, as is currently the case. Technical assistance for acreage-capped programs with direct funding should be drawn from the CCC over and above the amounts for financial assistance, not from double dipping into the dollar-capped programs as is happening now.

The second best option is for Congress to take the lead to solve the problem through technical corrections to the 2002 farm bill that clarify congressional intent and through directed scoring that avoids any offsets (unfair in our estimation) that Congress may be instructed to make to solve this problem. Failing those two options, we recommend that Congress amend the CCC charter act to exempt technical assistance from the so-called section 11 cap and offset any (again, unfair in our estimation) increases in spending through savings in CCC outlays already realized through increased commodity prices.

The clock is ticking to find a solution to this problem. The massive sign-ups for the Conservation Reserve Program (CSP) anticipated for fiscal years 2006 through 2008 will bankrupt either the technical assistance budget or the budget for financial assistance programs unless action is taken soon. We urge you to again exercise your leadership in exercising one of the three options outlined above.

This short-term problem is urgent and needs a solution. But we urge you to seize a longer-term opportunity by asking USDA to prepare a strategic plan and a budget to build a technical services infrastructure suitable for the environmental management challenges agriculture faces today. That strategy and budget must account for how the new \$678 million has been invested to date. More important, that strategy and budget must couple the new funding you made available from the CCC with strategic increases in discretionary funding for research, education, and the Conservation Technical Assistance program. Those resources should be allocated to Federal, state, and local government agencies; nongovernmental organizations; and the private sector based on a realistic assessment of the potential for each sector to contribute to an infrastructure tailored to meet the site-specific needs of local communities. The investment in technical assistance you made using CCC funds, coupled with the Technical Service Providers initiative, creates an unprecedented opportunity to build the technical services infrastructure essential to meeting the demands of conservation and environmental management on working. We urge you to work make sure we don't miss that opportunity.

As part of this effort, we urge NRCS to accelerate the improvement of its existing natural resource quality criteria and conservation practice standards and to expand its technical guides and planning tools to incorporate resource concerns and standards related to biodiversity, plant and animal germplasm conservation, pollinator protection, on-farm energy conservation, organic farming systems, wildlife exclusion practices, and other cutting edge conservation issues currently ignored or treated superficially within the technical and financial assistance programs and infrastructure.

Conservation Security Program. The Conservation Security Program (CSP) is among the most important and innovative provisions of the 2002 farm bill. CSP brings new elements to the conservation portfolio, notably, (1) rewarding good conservation farmers and ranchers for the environmental benefits they are currently producing because they stepped out and took conservation action on their land, oftentimes without any public assistance, (2) encouraging a comprehensive systems approach to conservation rather than a single-practice approach, and (3) emphasizing management-intensive conservation systems rather than structural practices to enhance environmental quality. CSP improves upon the scope of title I programs by reaching out to all agricultural producers, regardless of region or commodity produced, establishing a comprehensive foundation for the future of Federal farm programs.

Many of the organizations I represent today diverged substantially from USDA's proposed approach to implementing CSP. At this juncture, however, all the organizations participating in this testimony believe the most urgent need is to go ahead with a sign-up for CSP, even under the temporary financial constraints imposed in fiscal year 2004 by the appropriators, and to ensure that CSP is implemented in

the coming years as the fully fledged conservation entitlement program Congress authorized.

The interim final rule for the CSP released by NRCS last week and expected to appear in the Federal Register this week is at odds with the law on multiple key points. It is unfortunate that following Congress's action in January of this year to lift the funding cap on the CSP for fiscal year 2005 and beyond that the Administration did not respond with a rule that set forth a structure for managing the CSP as the uncapped, comprehensive national program established by the farm bill. The severe geographical restrictions placed on the program, the extremely limited opportunities for enrollment, the scaling back of the payment levels, the removal of farmer contract renewal rights, and the use of an enrollment ranking system, among other shortcomings that directly contradict the statute, should all be cause for alarm.

Going forward, we urge you to do all you can to:

- Ensure appropriators do not cap funding for CSP in fiscal year 2005 or any future years.
- Insist the administration ramp up the CSP thoughtfully and swiftly to become the base conservation and environmental management program for working land envisioned by Congress when it passed the farm bill.
- Hold USDA accountable to making comprehensive revisions to a final rule that will guide enrollment for fiscal year 2005 and beyond.
- Emphasize the unique features CSP brings to the conservation portfolio.
- Insist the administration create an administrative mechanism to make sure that the sophisticated level of technical assistance demanded by a new, performance-based program like CSP is available to all producers enrolling in the program, so that producers have the help they need to achieve measurable environmental improvements.
- Preserve the integrity of the CSP as a green box program as the agricultural negotiations at the WTO move forward.

U.S. producers—regardless of what commodity they produce or in which region of the country their farm or ranch is located—need more options, not fewer options, to sustain their operations while delivering the environmental benefits the public is expecting. CSP is an important new option. We urge you to ensure the CSP fulfills its potential.

Environmental Performance. The 2002 farm bill marked a turning point in agricultural conservation policy for the United States. By its passage, you recognized the importance of environmental management, in addition to resource conservation, to the sustainability of U.S. agriculture. We think that recognition may prove to be one of the most lasting contributions you made to U.S. agricultural conservation policy. It is essential to ensure that your efforts pay off in tangible improvements in water quality air quality, fish and wildlife habitat, and other key components of environmental quality.

Implementation of the Environmental Quality Incentives Program (EQIP) is particularly important in this regard for three reasons. First, the statutory purposes of EQIP demand environmental performance, second, you provided EQIP with the lion's share of new funding for conservation on working land, and third, the EQIP statute created a flexible structure well suited to meeting the unique challenges of environmental management. Analysis of EQIP implementation, however, indicates that the manner in which NRCS, at the state level, sets priorities, allocates funds to local units and ranks EQIP applications for funding will not maximize environmental benefits. In many states, on-the-ground implementation of EQIP appears inconsistent with provisions of the 2002 farm bill and/or the NRCS regulations implementing the program.

Like all other conservation programs, EQIP is oversubscribed. Despite the increase in funding you provided, EQIP had a \$3.1 billion backlog at the end of fiscal year 2003. Given that demand far exceeds available funds, it is critical that EQIP's resources be used as efficiently and effectively as possible so that producers and the public can get the most environmental bang for the buck from this program. We urge you to insist that NRCS make a number of changes in how it implements EQIP to enhance environmental performance.

Many states are ignoring key criteria in EQIP regulations. For example, the EQIP final rule lists promotion of at-risk species habitat conservation as one of the program's four National Priorities. Moreover, the EQIP rule requires states consider criteria including: the proposal's cost-effectiveness; the magnitude of the environmental benefits resulting from the treatment of resource concerns; the relative environmental performance of conservation practices; the existence of multi-county and/or multi-state collaborative efforts to address regional priority natural resource concerns; and ways and means to measure performance and success.

Unfortunately, many states have not designed systems for ranking applications that effectively incorporate these and other key requirements of the rule. Many states are not funding projects focused on at-risk habitat conservation even though that is one of the four national priorities. In addition, NRCS in many states apparently misinterpreted the 2002 farm bill's prohibition against bidding down and did away with any consideration of cost in ranking applications. And despite the rule's requirement that states consider the magnitude of environmental benefits, reflecting higher levels of performance of practices, many states do not recognize or reward higher levels of improvement toward defined environmental outcomes.

We recommend that you exercise your oversight authority to make sure state ranking systems for EQIP:

- Reward higher levels of improvement toward defined environmental outcomes.
- Ensure that practices providing multiple benefits are rewarded properly.
- Incorporate cost-effectiveness in order to deliver the greatest environmental benefit and to be fair to all farm and ranch operations, regardless of their size.
- Give particular weight to sustainable farming systems and practices and to integrated management approaches that assist farmers and ranchers to improve the economic and environmental performance of their operations.
- Create separate ranking sheets and funding pools for state or locally identified resource concerns to avoid complicated comparisons of apples and oranges.
- Encourage the adoption and implementation of innovative approaches and promising new technologies tied to achieving desired environmental goals.

Second, we strongly believe that environmental benefits from EQIP can be dramatically increased by further focusing program dollars on collaborative projects, consistent with the requirements of the EQIP rule. We therefore recommend that NRCS hold back \$400 million in fiscal year 2005 (one-third of the authorized funding level) to fund collaborative projects that bring multiple producers and partners together to realize a defined environmental goal that is important to local communities and that contributes to achieving national priorities. We further propose that NRCS increase the hold back in EQIP for collaborative projects as CSP ramps up and becomes the base conservation program available to all producers practicing effective conservation.

The 2002 farm bill requires that 60 percent of EQIP cost-share and incentive dollars go to livestock production, with EQIP funds to be used both to assist regulated producers meet regulatory requirements and to help farmers and ranchers avoid the regulatory system altogether—for example, by adopting sustainable grazing systems that are not subject to regulations, or by enhancing wildlife habitat on ranchlands to help at-risk species recover, thereby avoiding the need for future listings and critical habitat designations. In addition, the Managers' Statement directs the NRCS to encourage the use of grazing systems, such as year-round, rotational or managed grazing systems, that enhance productive livestock and poultry operations. Promotion of these environmentally and economically sustainable production systems achieves another major statutory purpose of EQIP—to assist producers to make beneficial and cost-effective changes to their production systems with regard to nutrient management, grazing management, and other practices. Promoting non-regulated, environmentally and economically sustainable livestock and poultry production systems also addresses the statutory requirement that the Secretary accord a higher priority to providing assistance and payments that encourage use of cost-effective conservation practices.

We recommend that this Committee request from NRCS a comprehensive accounting of EQIP funding, with a particular emphasis on dollars for livestock production. Currently, NRCS collects data on the dollars spent per practice, but does not gather data comprehensively on how practices are combined for projects, a much better measure of achievement. And NRCS collects data detailing the on-the-ground environmental impact or anticipated impact of dollars spent only on a limited, somewhat ad-hoc basis.

With regard to livestock this accounting should include information on how much funding is going to livestock operations designated as Concentrated Animal Feeding Operations requiring NPDES permits under the Clean Water Act. Information should include the amount of funding provided to individual CAFOs and the amount of funding provided to these operations for waste lagoons, waste-handling facilities, animal waste digesters, and other capital construction costs. This information will enable NRCS and others to assess the value of these generally more expensive projects and ensure that the dollars spent are effectively and efficiently advancing water and air quality improvement goals. We are particularly concerned to determine if EQIP funding is encouraging the expansion of existing CAFOs or the siting of new CAFOs in watersheds whose waters are already impaired by nutrient overloads. We would also like to determine whether, as promised, NRCS has undertaken

publicly available environmental assessments for large-scale CAFOs receiving EQIP funds. Such improved data collection efforts would not only provide Congress and the public with a better measure of how EQIP funds are being used, but enable NRCS to ensure that it is providing the best assistance possible to participating producers and helping them achieve their environmental management goals.

We urge the Committee to exercise its oversight authority to ensure EQIP is the best it can be in terms of delivering real environmental benefits to farmers, ranchers, and taxpayers. We have been discouraged by the lack of information and analysis from USDA on EQIP contracts since passage of the 2002 bill and urge you to assist us in obtaining the detailed information necessary to provide a public assessment of what the dramatically increased public investment is purchasing. To facilitate this improved data collection and analysis, we urge Congress to ensure that NRCS has the resources it needs to perform this essential task without impacting the direct services farmers and ranchers receive from the agency.

We also urge you to support the legislative amendment that passed in the other body last year and is expected to be offered in the future to reduce the EQIP payment limitation to a more reasonable level to prevent abuse and to ensure widespread distribution of available funding, especially important in light of continuing high backlog levels.

EQIP may be particularly important to environmental performance given its stated purposes, funding, and flexibility, but other programs have much to offer to environmental performance. The Partnerships and Cooperation provisions in the 2002 farm bill are an opportunity to knit conservation programs together (and leverage additional funds) to support locally-led efforts to improve the environment and sustain agricultural production. It is unfortunate that more than two years after the 2002 farm bill became law this important new authority has yet to be implemented. We understand a request for planning grant proposals will be issued soon, but in our view it is now past time to have actual Partnerships and Cooperation projects funded on the ground in fiscal year 2004.

We urge you to ensure USDA takes full advantage to integrate multiple conservation programs and empower local people to tailor conservation programs to their unique circumstances through special projects. We also urge you to remove the arbitrary limit placed on EQIP funding for support of special projects. Program funding should be made available to accommodate all high quality proposals received under the Partnership and Cooperation provisions.

The Conservation Reserve Program (CRP) plays a critical role in the conservation portfolio as the largest program devoted to restoring and/or protecting environmentally sensitive land. CRP has helped cut soil erosion, improve water quality, and restored millions of acres of wildlife habitat since its inception in 1985.

However, CRP can, and should, given the substantial public investment, do an even better job of enhancing soil, water, and wildlife habitat. We recommend the following specific changes to the way CRP is currently implemented:

- Target the continuous sign-up components of CRP to achieve soil, water, and aquatic habitat objectives on working land and place greater emphasis in general sign-ups on restoring large blocks of terrestrial wildlife habitat (an objective no other USDA conservation program is as well suited to achieve).
- Continue to address nationally significant conservation issues through targeted and locally tailored enhancement programs (CREPs). Ensure continued support of the 29 existing CREPs that have been approved in 25 states and encourage the establishment of new ones to address such issues as hypoxia in the Gulf of Mexico, restoration of threatened and endangered species habitat, and protection and enhancement of public drinking water supplies.
- Permit periodic haying and grazing of buffers under an approved conservation plan, when consistent with the conservation purposes of the program.
- Apply the same set of financial incentives to all continuous sign-up practices and pay an incentive to producers who work as a group to install contiguous buffers along streams.
- Revise the EBI through a public notice-and-comment process by giving more weight to the impact of the location and size of the potential enrollment, by providing more points for higher-value practices relative to lower-value practices, by providing more points for rental rate discounts relative to local rents, and by providing more points for installing native vegetation.
- Prohibit planting of inappropriate vegetation, such as trees in areas dominated or formally dominated by prairie, that degrade the value of the habitat for grassland bird species and potentially make it more difficult to avoid controversies over at-risk or listed species.

We support the use of managed haying and grazing on CRP as a management tool to help achieve the program's environmental goals. It is critical, however, that

this tool be properly used. NRCS needs to provide guidance in the field that specifically addresses how to use haying and grazing as a management tool for conservation purposes based upon best available science. Managed haying and grazing should be approached from an overall ecosystem health point of view, reflecting all resource concerns. It is particularly critical that primary nesting and brood-rearing season restrictions are set appropriately for the area; that protective conditions are included for highly sensitive areas; and that appropriate stocking rates/residual cover heights are set to meet wildlife management objectives. We believe the decision on how long and how often grazing should be allowed must be tailored to the specific grassland type and region under the direction of state technical committees, but with national oversight to ensure decisions are based on sound science. In some places the one out of three year rule imposed on haying and grazing may be appropriate, but in many other cases less grazing or more grazing, conducted on sound, carefully managed rotational basis, is the appropriate choice based on management experience and scientific data. And in some areas, managed haying may not be appropriate at all.

The Grasslands Reserve Program (GRP) also has an important role to play and should be supported. Given funding limitations, in our view priority should be given to protecting grasslands at risk to conversion to cropland and to protecting and restoring native prairie and other land with high biodiversity and ecological values. Care should also be given to establishing payment rates for the shorter-term rental agreements and longer-term easements that appropriately reflect their value. Evaluation and accountability: Fundamental to all efforts to enhance the environmental performance of conservation programs is the capability to evaluate their performance. That evaluation requires access to information regarding how funds are spent. We have detailed our concerns about this in regard to EQIP above. Our concern, however, extends to all programs. Monitoring, assessment and evaluation are critical, and the new provisions in the CSP in this regard should be of major assistance. Transparency is also essential to building public confidence and support for conservation programs. It is our hope that information is shared more readily in the future and that resort to repeated FOIA attempts to gain what should be readily available public information will not become the norm. Public participation is also a key to improving planning and evaluation. We continue to urge improvements to the State Technical Committee system to increase the accountability of the agency at the state level to its STC volunteers, and we also continue to urge the Department to change the rules governing the Local Working Groups to integrate them into the State Technical Committee structure and to provide for public participation on the same basis as is the case for the STCs.

Farm and Ranch Lands Protection Program. The Farm and Ranch Lands Protection Program (FRPP) provides an important source of funding to states, municipalities and land trusts trying to stem the loss of productive farm and lands in the United States. In the three years since the passage of the 2002 farm bill, \$215 million in Federal funding has leveraged over \$550 million in state and local funding in order to protect 306,000 acres of working farm and ranch lands. Despite these successes, concerns surround the administration of the program. Recent policy decisions involving impervious surface limitations on easements, annual monitoring requirements and easement administration threaten to alienate many of the state and local partners who make FRPP a success. We urge you to exercise your oversight authority to ensure that FRPP is administered in a manner that recognizes the experience and expertise that established state and local farmland protection programs have in working with private landowners to protect valuable farm and ranch lands around the country.

Conservation Compliance. The ground-breaking conservation compliance provisions of the 1985 farm bill led to large improvement in management of working land and wetland protection. The USDA Economic Research Service recently concluded that substantial reductions in soil erosion since 1985 can at least partially be credited to conservation compliance (Environmental Compliance in U.S. Agricultural Policy: Past Performance and Future Potential, June 2004). Beyond their importance for conserving resources and improving the environment, conservation compliance provisions create a level playing field for agricultural producers. Producers who invest in conservation should not be at a disadvantage because of subsidies provided by U.S. taxpayers. Compliance provisions contribute to creating a level playing field.

We recommend full enforcement of current conservation compliance provisions, particularly in light of the new investment the 2002 farm bill made in commodity-based subsidies. We also continue to urge you to re-link all the compliance features with the Federal crop insurance program in future legislation.

Much has been accomplished since passage of FSRI. Most of the funding (through fiscal year 2004) has been realized. Programs funded from the Commodity Credit

Corporation (CCC) have received more than \$2.5 billion. About half the new acres authorized for the Wetlands Reserve Program (WRP) have been made available for enrollment and sign-ups in three critical components of the Conservation Reserve Program (CRP)—the continuous CRP sign-up (CCRP), Conservation Reserve Enhancement Program (CREP), and Farmable Wetlands Program (FWP)—have been promising. The conservation technical services infrastructure (the foundation of conservation and environmental management on working land) has been strengthened. About \$678 million in CCC funds have been provided for technical assistance, and the technical service provider (TSP) program is a clear, if small step, toward the 21st century infrastructure needed to realize the full promise of FSRI. Most of the basic conservation components of the 2002 farm bill have been put in place in the two years since the law's enactment, and conservation activity on the ground has accelerated.

It is incumbent on us now to go beyond the basics to achieve the full potential of the 2002 farm bill. We hope the recommendations we have provided will contribute to that goal.

Again, thank you for the opportunity to appear before you today.

STATEMENT OF JOE LOGAN

Chairman Lucas, Ranking Member Holden, members of the committee, I am Joe Logan, president of the Ohio Farmers Union. The National Farmers Union represents over 260,000 independent, diversified, owner-operated family farms and ranches across the nation. We appreciate the opportunity to appear before you today to discuss the conservation programs of the 2002 farm bill. In the interest of time, let me get right at our list of conservation considerations.

Our National Farmers Union policy, developed by our grassroots members, is very clear on the issue of conservation funding. We strongly support public funding for soil and water conservation programs and the necessary technical support to properly implement them.

As farmers and ranchers, we acknowledge and accept our stewardship responsibilities to protect our natural resources for the generations to come. As businessmen and women, we recognize that we operate high-risk, low-return businesses adversely damaged by noncompetitive and concentrated agricultural markets, and that unlike other players in the food economy we do not, nor can we, pass on our costs of doing business. As farm credit borrowers, we realize the primary concern of our agricultural lenders is not the long-term protection of our natural resources for the future, but the short-term protection and repayment of their operating loan plus interest. We have supported efforts over the past few farm bills to increase the cost-share provisions of conservation programs to help, not only with improved conservation practices, but to share in the financial burden on farmers and ranchers farm-gate income when costly practices are encouraged, or required on working lands.

We believe that the 2002 farm bill is a long overdue step forward in conservation funding, while providing new initiatives and the expansion of existing programs. Like many of my Farmers Union counterparts, I am actively involved in helping make these conservation programs work.

The good news is that conservation program funding has increased. The bad news is the funding for the necessary technical assistance to help our farmers and ranchers put often complex conservation systems into operation has not kept pace with dramatically increased workloads. And we see the demand for conservation programs far exceeds funding nationally, and in Ohio.

With respect to new conservation initiatives, National Farmers Union supports wholeheartedly the landmark Conservation Security Program (CSP) provisions of the 2002 farm bill. But, we are very concerned that USDA has announced its plan for implementing the CSP in a severely restricted manner. By using a national watershed scheme to limit and determine participation in and eligibility for the program, a full-scale nationwide program as written in the farm bill law, is simply not possible.

While it's true a full-scale nationwide program for 2004 is not feasible because of a \$41 million budget cap for fiscal year 2004, it is also true that the CSP fiscal year 2004 budget cap comes off at the beginning of the new fiscal year in October of this year and the program returns to its 2002 farm bill status as a conservation entitlement program. We can only assume that the USDA proposed rule funding restrictions are intended to apply for 2005 and all future years. This should not happen.

It appears to us that the approach being taken by USDA is in direct opposition with the intent of the law as written, and will effectively eliminate the CSP as the nationwide, comprehensive environmental program intended by Congress in the

farm bill.— Congress made a promise to farmers and ranchers when the bill was signed into law. We urge Congress, and specifically the oversight responsibilities entrusted to the Agriculture Committees in both Houses, to keep that promise.

Over 14,000 farmers and other citizens wrote to USDA in response to the CSP proposed rule released at the beginning of the year, the most comments by far ever received by USDA for a conservation program.— The overwhelming majority of those comments rejected the restrictive watershed approach, as well as other key problems with the rule, including the low payment rates.—We urge the Administration to heed the public input gathered by USDA, and reverse course in the upcoming rule to implement the CSP for 2005 and beyond.

We fear that the current USDA approach will cause a very divisive and non-productive fight for funding between livestock producers and crop producers, between geographical regions of the country, and between working lands conservation versus non-working lands conservation. That kind of battle may well spell the doom of the CSP. The farmers and ranchers of the National Farmers Union do not want that to happen.

We understand that the CSP interim final rule with request for public comments will be published in the Federal Register soon, and we encourage the NRCS to carefully consider all comments received during a 90-day public comment period in developing a final CSP rule. While we are encouraged that NRCS can conduct the program sign-up and implementation for this limited capped program this fiscal year, we see a much broader future for the CSP.

The CSP is the first agricultural conservation program to encourage a comprehensive approach to conservation on agricultural working lands. While we understand the initial reasoning for targeting watersheds, again, we would contend that CSP should be available to all agricultural producers throughout our nation, rather than in only a few watersheds. We also view CSP as a useful tool for managing the balance of payments in the WTO green, amber, and red box categories to farmers and ranchers in relation to our international trade obligations.

We are encouraged that the interim final rule, though seriously flawed in our opinion, will allow most types of working agricultural lands to be eligible for CSP. And we understand that producers on cropland, orchards, vineyards, pasture and range may apply for the program, regardless of size, type of operation or crops produced.

If I could summarize our views in a nutshell it would be that

- All of the conservation programs included in the 2002 farm bill should be implemented as Congress intended when it enacted the law, especially the Conservation Security Program.

- USDA should be encouraged to carefully record, consider and respond to public input on conservation programs rules. (The overwhelming public concern and negative responses expressed regarding the proposed CSP rule is an example of what we suggest as important public input)

- Funding for technical assistance to implement the farm programs must be increased to reflect the increased workloads. We should use mandatory program funds to finance both the financial assistance and technical assistance costs of the farm bill conservation programs.

- On working lands across the countryside we have seen the demand for EQIP, Grassland Reserve Program, Wetland Reserve Program, CRP and Wildlife Habitat Incentives Program increase many times over the available funding. Congress must recognize this pent-up demand and provide for more opportunities for ranchers and farmers to participate in conservation programs.

- The landmark Conservation Security Program (CSP) provision of the 2002 farm bill should be put in motion as a full, nationwide and unrestricted program as written in the law. No reduction or limiting structures or schemes should be instituted in contradiction to the intent of Congress.

We look forward to working with you and your colleagues in the days ahead to help fulfill the promise of the expanded conservation provisions provided for in the 2002 farm bill so that our farmers and ranchers have the tools they need to help protect our soil and water resources for the generations yet to come.

Thank you again for this opportunity to share our views with you today.

STATEMENT OF DENNIS C. WOLFF

Mr. Chairman and members of the committee:

American Farmland Trust appreciates this opportunity to comment on the United States Department of Agriculture's implementation of the conservation title of the Farm Security and Rural Investment Act of 2002.

The 2002 farm bill provided historic increases in spending on Federal conservation programs, recognizing the demand for these programs among farmers and ranchers across the United States. This increased commitment to conservation in Federal agricultural policy has encouraged better environmental stewardship of this country's 931 million acres of working lands and benefited all Americans through improved protection of our natural resources. To ensure that this trend continues, we urge this Subcommittee to continue to work to see that these conservation programs are fully funded. We also urge you to find a solution to the technical assistance problem that has caused funds to be diverted from four highly popular and oversubscribed conservation programs. Finally, we hope you will encourage USDA to administer the Farm and Ranch Lands Protection Program in a manner that provides guidance for state and local partners new to farmland protection while avoiding excessive oversight and duplication of paperwork for well-established state and local farmland protection programs.

Funding. America's farmland provides its citizens with a diverse range of benefits: fresh food, wildlife habitat, open space, and clean air and water. The 2002 farm bill acknowledged the importance of farmland by providing significant funding increases for several conservation programs. The Environmental Quality Incentives Program (EQIP), the Farm and Ranch Lands Protection Program (FRPP), the Grasslands Reserve Program (GRP) and the Wildlife Habitat Incentives Program (WHIP) provide farmers and ranchers across the country with the ability to implement conservation practices that provide valuable environmental benefits while keeping agricultural land in production.

While the 2002 farm bill provided a new level of commitment to conservation, annual appropriations for EQIP, FRPP, GRP and WHIP over the past three years have not made good on that commitment. In the past three fiscal years, actual funding provided for these four conservation programs has constituted about 85 percent of the authorized levels, even as demand for the programs continues to far exceed available funding. The amount of additional funding required to meet unfunded application backlogs at the end of fiscal year 2003 is staggering: \$3.1 billion for EQIP, \$179 million for FRPP, \$786 million for GRP and \$40 million for WHIP. Funding these programs at their authorized levels will reduce application backlogs and enable USDA to provide financial assistance to more of the Nation's farmers and ranchers.

Technical Assistance. The 2002 farm bill envisioned that each conservation program would pay for its own technical assistance out of the funds apportioned to it. However, USDA, with authority provided by Congress, continues to divert funds from EQIP, FRPP, GRP, and WHIP to provide technical assistance to other conservation programs, primarily the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP). USDA estimates that these four programs will donate \$120 million worth of program funds during fiscal year 2004. According to USDA figures, the estimated donations by program are as follows:

- EQIP: \$24 million or 7.8 percent of its funding;
- FRPP: \$24 million or 21.4 percent of its funding;
- GRP: \$13 million or 11.1 percent of its funding;
- WHIP: \$7 million or 16.6 percent of its funding.

These donations have significantly reduced the number of farmers and ranchers served by these four programs and contributed to the programs' application backlogs. We believe that the funds needed to provide conservation technical assistance for each program should be assessed and apportioned from that same specific program, and urge you to continue to find a legislative solution to this problem.

Conservation Security Program. When it was created in the 2002 farm bill, the Conservation Security Program (CSP) was heralded as the Nation's first comprehensive stewardship incentives program and was thought by many to be the future of United States farm policy. Since that time, CSP has struggled to get off the ground much to the disappointment of farmers and ranchers across the country.

USDA released an interim final rule for the program on June 21, 2004 and has indicated that it will implement CSP in 18 watersheds during fiscal year 2004. This focused implementation excludes farmers and ranchers across the country who have demonstrated a commitment to land stewardship. USDA has stated that many of the provisions included in the interim final rule are necessary due to the \$41 million cap placed on the program in fiscal year 2004. Providing full funding for CSP will enable the Department to broaden the scope of the program so that it reaches more of the Nation's farmers and ranchers. This will allow CSP to become the nationwide, comprehensive environmental program envisioned by the 2002 farm bill.

We urge you to do all you can to retain full uncapped funding for CSP in fiscal year 2005 and beyond. We further urge you to work with USDA to ensure that CSP

is implemented on a national scale in fiscal year 2005 so that farmers and ranchers in every state are able to experience the environmental benefits the program provides.

Farm and Ranch Lands Protection Program. The FRPP provides an important source of funding to states, municipalities and land trusts trying to stem the loss of productive farm and ranch lands in the United States. In the three years since the passage of the 2002 farm bill, \$215 million in Federal funding has leveraged over \$550 million in funding from private landowners and state and local partners to protect 306,000 acres of working farm and ranch lands. The success of FRPP is not only due to the financial commitment that state, local and nonprofit partners have made, but also to the wealth of knowledge and expertise that they possess. Many of these partners have on-the-ground experience that predates FRPP. Unfortunately, current USDA policies and procedures fail to recognize the important role these groups play in the success of FRPP.

Congress intended USDA to operate FRPP in concert with state and local programs, not to replace them. However, recent USDA policy decisions regarding impervious surface limitations on easements, annual monitoring requirements and easement administration threaten to alienate many of the state and local partners who make FRPP a success. USDA's failure to fully include state partners in the decision making process has resulted in a host of new Federal policies that conflict with existing state program policies. States are now faced with the difficult choice of foregoing future FRPP funding, operating bifurcated programs under two different sets of rules, or undertaking the task of revising state statutes and regulations to comply with USDA's policy manual.

Recently, the Northeast Association of State Departments of Agriculture encouraged USDA to consider certifying existing state and local farmland protection programs, in order to reduce unnecessary administrative oversight and duplicative paperwork. This is an approach worth considering, and we hope the Committee will encourage USDA to act on this suggestion.

With approximately 3,000 acres of farmland lost to development each day, FRPP remains an effective tool for limiting the conversion of agricultural lands to non-agricultural uses. We urge you to exercise your oversight authority to ensure that FRPP is administered in a manner that recognizes the experience and expertise possessed by established state and local farm and ranch lands protection programs and includes them in the decision making process. To illustrate these concerns, we provide as an attached exhibit a letter from Pennsylvania Secretary of Agriculture Dennis Wolfe to Secretary Veneman (Exhibit A), outlining his concerns with the administration of the FRPP program by USDA.

Grassland Reserve Program. The Grassland Reserve Program (GRP) provides USDA with another important tool to address the loss of valuable resource lands to conversion. By allowing farmers and ranchers to enter into rental agreements and easements on their property, GRP provides opportunities to protect and restore fragile grasslands.

In the interim final rule for GRP released on May 21, 2004, USDA indicated a desire to direct the use of GRP funds toward areas of the country where the primary conversion threat is the pressure to convert grasslands to cropland. Conversely, USDA notes in the interim rule that the ability to leverage Federal funds with state, local and private funds makes FRPP the better tool for protecting grasslands facing urban conversion pressures. The higher cost of land under the threat of urban development is cited as a motivation for this orientation.

While we understand the primary focus of GRP and the fact that such lands are typically outside of urban-influenced areas, we do not believe that the application of GRP should be limited by the cost of land. There are many important and historic grassland areas in more and more regions of the country facing suburban and ex-urban development pressures. Landowners in these states or areas of states should be afforded the opportunity to access the full complement of USDA conservation programs. We recommend that such decisions on the application of programs like GRP be left to the State Conservationists working with their respective State Technical Committees. If USDA views FRPP as the primary protection vehicle for grasslands in urban-influenced regions of the country, then we would expect that GRP would be the primary Federal protection program for grasslands in non-urbanizing areas and FRPP funds would not be allocated to these lands.

We urge you to work with USDA to implement FRPP and GRP in a manner that maximizes the benefits that both programs can provide on a national scale. We would also suggest that the Committee consider legislative changes to GRP that would authorize the use of non-Federal matching funds for GRP, comparable to that provided through the FRPP, so that GRP can be a more effective tool for the purchase of permanent easements in parts of the country where land values are high.

Summary. The 2002 farm bill demonstrated Congress' commitment to farmers and ranchers by providing them with historic levels of financial assistance. While much has been accomplished during the past three years, there is still important conservation work that remains. We urge you to renew your commitment to the 2002 farm bill by working with your colleagues in Congress to ensure that the conservation programs in the 2002 farm bill are funded at their authorized levels and to pass a legislative correction to the technical assistance issue. We also encourage you to work closely with USDA to ensure that it implements the conservation programs of the 2002 farm bill in a manner that maximizes both environmental and taxpayer benefits.

Thank you for the opportunity to offer our thoughts on the implementation of the conservation title of the 2002 farm bill. We look forward to working with the committee in the future to address the issues raised in our testimony.

EXHIBIT A

March 19, 2004
Hon. Ann M. Veneman
Secretary of Agriculture
Washington, DC 20250

Dear Secretary Veneman:

This letter is written to express our appreciation to the USDA for their role in helping to preserve Pennsylvania's prime farmland and to request your assistance in addressing several issues in the Federal program that conflict with our state program.

Pennsylvania's Farmland Preservation Program, established in 1989 within the Department of Agriculture, is ranked number one in the Nation with 2,340 farms totaling 272,466 acres of productive farmland preserved. Pennsylvania has invested over \$421 million to preserving its farmland. The 54 participating eligible counties have allocated another \$193 million over the past 15 years to preserve agricultural land. In addition, townships have contributed an additional \$4 million to the program as co-owners of easements. Pennsylvania has received since 1996 over \$8.47 million through the Farm and Ranch Lands Protection Program (FRPP) helping to preserve 111 farms in the state.

Natural Resource Conservation Service (NRCS) published Part 519, Farm and Ranch Lands Protection Program Manual, in June 2003, which contains many areas of conflict with the Act 43 and Chapter 138e State Program criteria.

The Pennsylvania Department of Agriculture is presently in negotiations with NRCS on these criteria in an effort to qualify for funding for the 2004 FRPP application cycle. At present, we are concerned that Pennsylvania may not be eligible to participate in the 2004 FRPP since these criteria would require a change to our state law that has preserved 2,340 farms. Of all the proposed requirements, the five listed below are of greatest concern:

- The building of additional single-family dwellings should be prohibited;
- Impervious surface restriction limiting to 2 percent of the total easement acreage for expansion of the farming operation;
- Subdivision should be prohibited;
- Mining is prohibited; and
- The State would need a separate Deed of Easement for the Federal farms.

These criteria listed are not consistent with the Pennsylvania Department of Agriculture's program and are in conflict with Act 43. On behalf of the 54 participating counties and the state program, I am requesting these proposed requirements be reconsidered to ensure that Pennsylvania can continue to participate in the Federal program.

Thank you for your consideration.

Sincerely,

Dennis C. Wolff



Introduction

On behalf of the National Grain Sorghum Producers, I would like to thank the Chairman of the Subcommittee on Conservation, Credit, Rural Development and Research for the opportunity to discuss USDA's implementation of the Conservation Title of the farm bill and its impact on the sorghum industry.

My name is Kenneth Rose, past President of NGSP and I farm 4680 acres, of which grain sorghum is 2000 acres; wheat is 1300 acres; summer fallow is 11380 acres; and 2580 acres of grassland. I farm in a region of the country that receives less than 20 inches of rain a year.

NGSP represents U.S. sorghum producers nationwide. Our organization is headquartered in Lubbock, Texas, and our major responsibilities are to increase the profitability of sorghum producers through market development, research, education, and legislative representation.

NGSP is committed to work with the Committee and its staff to ensure that the efforts started in the Farm Security and Rural Investment Act of 2002 as we continue to update farm and conservation programs for sorghum producers. USDA needs to change its present interpretation of the farm bill to recognize that sorghum is a much more dynamic crop than it was ten or even five years ago. NGSP feels that the USDA is basing current decisions on old, non-relevant data, which significantly impacts our producer's ability to use sorghum in a profitable cropping system.

A Brief Description of Sorghum

I would like to give you a brief history of sorghum and outline for you some of the unique opportunities that we have in sorghum. Sorghum originated in Africa some 8000 years ago and continues to be a staple in the diet of many Africans. Benjamin Franklin first introduced sorghum to the United States in 1725 when he brought back "broomcorn" from Europe. In the 1850s, the U.S. government began introducing various forage varieties from China and Africa.

This versatile crop is used both in human food systems and primarily in the United States as an animal feed. It is currently a non-GMO crop -- though NGSP supports work on moving new technologies into the crop -- which has provided our producers with some unique market opportunities in our export markets. Industrially, sorghum, like corn, is valued for its starch content. A prime example of this is the ethanol industry, which can use both corn and sorghum interchangeably in ethanol production. Its co-product, distiller's grain, is a valuable and widely accepted feed for both cattle feeders and dairies.

Industry Overview

The U.S. grain sorghum belt is primarily made up of nine states in the Great Plains, although grain sorghum is grown from California to New Jersey. Sorghum is produced in many of the states that you represent, including, Kansas, Oklahoma, Tennessee, Mississippi, Missouri, Georgia, Texas, Louisiana, Arkansas, and California. Over the past ten years, grain sorghum has ranged from a high of 13.1 million acres in 1996 to a low of



9.3 million acres planted in 2000 with an average of 10.0 million acres planted annually. Production from the last 10 years has ranged from 360 million bushels to 795 million bushels, with an approximate value of 1.1 billion dollars, annually. In addition, sorghum utilized as silage, hay and grazing represents another 5 million acres of production. The USDA reported that in 2003, 343,000 acres of sorghum were planted for silage, producing approximately 3.5 million tons of silage.

The US is the world's chief producer and exporter of grain sorghum, and the crop ranks fifth in importance as a U.S. crop behind corn, cotton, soybeans and wheat. Roughly 45% the crop is exported. Of the 55% of the crop that is not exported, 42% goes into cattle, pork, and poultry feed, 9% goes into ethanol production, 3% goes into industrial use and 1% goes into the food chain. In fact, sorghum's newest market -- a 57 percent increase in the last 2 years -- is the exponentially growing ethanol industry.

Worldwide, approximately 50 percent of total production of grain sorghum is consumed directly as human food. Two African countries that use sorghum as a staple in their diets, Ethiopia and Eritrea, are suffering because of drought that has cut local production of sorghum. USAID has told NGSP that it would like to double the amount of sorghum programmed for its food aid programs. In addition, the U.S. dominates world seed production in sorghum with a billion dollar seed industry focused on 250,000 acres primarily in the Texas Panhandle that exports seed around the world.

As you can see this is a not only a unique, drought tolerant crop, but it is a vital component in cropping rotations for many US farmers and we continue to work with USDA to strengthen the support for the crop.

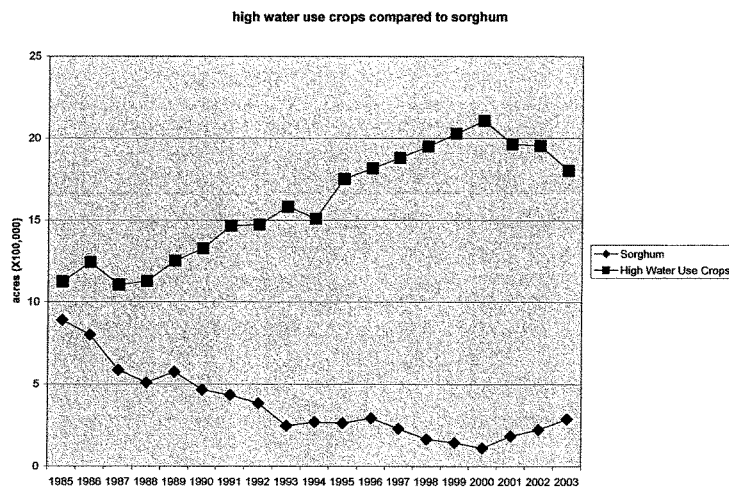
Conservation Policy

NGSP applauds the committee for giving serious consideration to the future of water supplies in the semi-arid regions of the Plains -- a region highly dependent upon sorghum -- by creating the Ground and Surface Water Conservation Program as part of the Environmental Quality Incentive Programs (EQIP). However, more can and must be done to conserve water in the country's semi-arid agricultural producing region. NGSP has already commented on the conservation program rules; in particular, we are disappointed that the agency has not focused more on water quantity in developing the program. NGSP believes that water quantity issues will continue to grow in importance and urgency as non-agricultural uses compete with agricultural uses in the sorghum belt.

Water Use is Increasing

Sorghum is known as a "water-sipping" crop. According to research conducted at the USDA Agriculture Research Service facility in Bushland, Texas, sorghum uses approximately 1/3 less water than either corn or soybeans, and 15% less water than wheat. It is a crop that is adapted to semi-arid agricultural regions; that is, regions that may receive less than 20 inches of rain a year. Corn and soybeans, on the other hand, are primarily grown in areas that receive 30- 40 inches of rain a year. Because of its excellent drought tolerance and varied uses, sorghum is a very viable option for producers in the semi-arid Plains states.

Demand for water is increasing in the semi-arid regions of the U.S., especially by non-agricultural uses. NGSP is very concerned that the demand for water from both agriculture and non-agriculture use could create a climate of tension that is not productive for either group. Since 1985, five million acres of high water-use crops have replaced sorghum acres throughout the country. A prime example of this is Western Kansas, which has had serious drought for the last 5 years; yet irrigated acres for high water-use crops continue to increase. Crop insurance claims have reached record levels as high water-use crops fail because of the lack of water. As a result, since 1985, Western Kansas has lost 600,000 planted acres of irrigated sorghum. Sorghum producers in Kansas and in other sorghum states believe that this trend needs to be reversed. The following chart shows the decrease in sorghum acres and the increase in higher water-use crops (USDA, NASS 2003 data).



Increasing water demand for agricultural and non-agricultural use is also a global concern. According to the National Water Research Institute (NWRI), 25 percent of the world's population will be facing a severe water shortage by 2025. However, the NWRI says that 50 percent of the increase in demand for water by 2025 can be met by increasing the effectiveness of irrigation and by growing more water-use efficient crops, like sorghum. This projection shows that appropriate crop selection and conservation efforts can save water.



Policy Changes

We have some particular concerns that we would like to share with the subcommittee in our efforts to strengthen federal government support for sorghum. Unfortunately, concentrating solely on improving irrigation technologies and increasing efficiencies does not necessarily translate into less water usage. NGSP supports conservation programs that encourage planting of appropriate crops based on decisions that are environmentally sustainable and market driven. **Overall, NGSP believes that Congress and USDA need to emphasize water quantity, as part of water management, in both current and future conservation programs.**

How Much Water can be Saved?

A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. On average, that's 147,200 acre-feet saved per year. An acre-foot of water equals 325,850 gallons, roughly enough to supply two, four-person homes with water for a year. Theoretically, this 50-year water savings would amount to 147,200 acre-feet per year, enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 642,994, according to the U.S. Census Bureau.

On a broader geographic basis the economic impact of converting irrigated corn and soybean acreage in the semi-arid regions to grain sorghum could be astounding. As you can see, encouraging the production of crops that are suited for a given area can save an enormous amount of water.

Current Water Situation

Currently, agriculture uses approximately 95% of the water drawn from the Ogallala aquifer. Towns and cities within the region have aggressively educated citizens and in some cases implemented new laws that are forcing homeowners and businesses to conserve water. According to NRCS's National Water Management Center (NWMC), water use for irrigations has increased by 125% over the past fifty years and that some aquifers have been permanently damaged because the full recharge of depleted aquifers storage may not be possible where compaction and subsidence has occurred. The sorghum belt remains in a long-term drought, and the water table continues to drop as ground-water supplies dwindle. NGSP encourages NWMC to proactively consider long-range planning that focuses on ground water, because agricultural and non-agricultural users are critically dependent on water.

Because of these concerns, NGSP encourages the subcommittee to promote conservation programs that save water. We have members that tell the organization that they find that they use more total water as they increase the efficiencies of their irrigation systems because they simply add more irrigations systems. NGSP views this as contrary to the goals of a program like the Ground and Surface Water Conservation Program, and contrary to the best interests of producers. We believe that the best way to conserve water



is to lower the amount of water used within an agricultural system, not to just improve irrigation delivery technologies.

Improving Current Programs

NGSP has encouraged USDA to develop a Ground and Surface Water Conservation Program that includes support for cost share-funds to significantly increase water conservation. NGSP believes that EQIP and other conservation programs should be playing an integral part of a system-wide approach that encourages and rewards lower water consumption. For example, encouraging producers to change from an irrigated high water use crop that on average uses 30 inches of irrigated water from a center-pivot watering 125 acres (the typical size of a center-pivot system) to dry-land (0 inches of irrigated water) sorghum saves 3750 acre inches of water a growing season. An incentive equal to the difference between irrigated land rental rates and dry-land rental rates could entice farmers to make the conversion and help save water.

NGSP members are concerned that concentrating solely on the use of efficient irrigation technologies can lead to an increase in overall water use. NGSP believes that the main priority of conservation programs should be to provide incentives to farmers to recharge ground water by lowering water use. With that in mind, another significant water saving conversion would be the production of less water intensive crops on irrigated land. Using our center-pivot 125 acres irrigating example previously mentioned, switching from a high use water crop (30 inches and more) to a water sipping crop (one that uses 22.7 inches) saves over 912 acre inches of water a growing season. NGSP members believe that an incentive to compensate farmers for changing to a less capital and water intensive crop would result in significant water conservation. The NGSP urges NRCS to work with the local office and state committees to accurately determine the appropriate payment rate for different regions of the U.S.

Mr. Chairman, we would like to thank you and the members of this subcommittee for the opportunity you have given us to present the organization's review of the Farm Security and Rural Investment Act of 2002. NGSP is a strong supporter of this farm bill and appreciate the committee's support.

INTRODUCTION

Mr. Chairman, members of the Committee, my name is Dave Nomsen. I am the Vice-president of Governmental Affairs for Pheasants Forever, and reside in Alexandria, MN. I am a professional wildlife biologist with expertise in upland wildlife management, agriculture conservation policy and programs, and wetlands. I have worked for Pheasants Forever since 1992.

Pheasants Forever was founded in 1982 by dedicated sportsmen concerned about the future of ring-necked pheasants and hunting. It now has over 100,000 members in 600 chapters across the country. Dedicated volunteers and staff work hand-in-hand with farmers and ranchers to establish and conserve wildlife habitat. On average, PF completes 30,000 projects each year, positively impacting over 3 million acres since 1982. PF's habitat-focused projects benefit many species of wildlife, while protecting soil, water, and air resources.

We appreciate the opportunity to speak with you today on behalf of Pheasants Forever, but to also present the views of a group of conservation organizations regarding the conservation programs most important to wildlife. These organizations represent a variety of interests that have come together as users and supporters of wildlife conservation programs within the farm bill. The groups that I represent today include the Archery Trade Association, Boone and Crockett Club, Bowhunting Preservation Alliance, Congressional Sportsman's Foundation, Conservation Force, Dallas Safari Club, Delta Waterfowl, Ducks Unlimited, Foundation for North American Wild Sheep, Izaak Walton League of America, National Wild Turkey Federation, North American Grouse Partnership, Pheasants Forever, Pope and Young Club, Safari Club International, Texas Wildlife Association, The International Association of Fish and Wildlife Agencies, Theodore Roosevelt Conservation Partnership, Wildlife Habitat Council, and the Wildlife Management Institute. Collectively, our members and supporters represent a sizable cross-section of our nation's citizenry.

Over the past two decades, conservation programs of the Farm Bill have played an integral role in the economic vitality and general well being of this nation's farmers, ranchers, and foresters. In addition, they have improved conservation on private lands by enhancing and protecting wildlife habitat, water quality, and soil quality. The increased role and importance of conservation in agriculture and its role in private lands stewardship has led to consensus and partnerships among government and private interests including commodity groups, individual producers, livestock organizations, and the wildlife conservation community.

Voluntary, incentive-based conservation provisions included in the Farm Bill have provided the framework for "win-win" solutions on the farm and across the rural and urban landscapes. Congress recognized the success of and demand for these conservation programs when it passed the 2002 Farm Bill with an 80 percent increase above the baseline for the conservation title. Specifically, the acreage caps for both the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP) were increased, funding for the Wildlife Habitat Incentives Program (WHIP) and Environmental Quality Incentives (EQIP) program were increased, and new programs including the Grassland Reserve Program (GRP) and the Conservation Security Program (CSP) were created.

CRP, WRP and WHIP provide significant benefits for wildlife and are discussed in detail in this testimony. We believe the new GRP, also discussed in detail below, has great potential to also benefit a diversity of wildlife species if adequate funding is provided for both protection and restoration. EQIP has the potential to be more beneficial for wildlife and we believe steps can be taken to address wildlife concerns together with other attributes of the program. It is too soon to evaluate the benefits for wildlife under the CSP program, but clearly there is vast potential to incorporate wildlife conservation into working farm landscapes for priority species like the bobwhite quail and certain songbirds whose populations are declining. We look forward to continuing to work with the Natural Resources Conservation Service (NRCS) to ensure that additional wildlife habitat benefits are a key component of CSP implementation. We believe that CSP (with wildlife benefits), in conjunction with fully funded and implemented proven successful programs like CRP and WRP represents the best available opportunity to implement conservation as an integral component of all agricultural landscapes.

To ensure that all of these programs actually reach the ground, sufficient funding for both technical assistance and program costs must be available. It is vitally important that a long-term solution be found to the problem of providing adequate technical assistance for CRP and WRP without reducing the amount of funding available for other programs in the conservation title. We appreciate that the leaders in this Committee have worked toward solving that challenge.

CONSERVATION RESERVE PROGRAM (CRP)

No program in history has done more for landscape-level conservation of soil, water, and wildlife habitat on farmland while offering producers a significant and stable source of income than CRP. This section will describe how CRP has measurably improved wildlife habitats and populations in the U.S. The 2002 Farm Bill increased the acreage cap on CRP from 36.4 to 39.2 million acres, with the clear implication that an additional 2.8 million acres of CRP contracts should be available to producers. CRP has been very popular with landowners, as evidenced by the demand for land enrollment (acres bid) often exceeding availability by a 3 to 1 ratio.

CRP not only reduces erosion, but also provides habitat for many species of wildlife across the country. It has been especially important where cropland had replaced grassland on marginal soils. Across the plains states of the central U.S., grassland loss continues at alarming rates. In the U.S. Prairie Pothole Region (which includes portions of Minnesota, South Dakota, Iowa, Nebraska, North Dakota, Montana, and Wyoming) 56 million acres (62%) of the original 90 million acres of native grassland has been converted to other land uses. The 4.7 million acres of CRP within this landscape has helped to recapture the wildlife, soil, and water quality values of grassland on this landscape, but more grassland restoration through CRP is needed to achieve a level of sustainability of these public benefits.

CRP is a proven, results-oriented conservation program that has accomplished a variety of positive outcomes for wildlife habitat. Research has proven that putting land into CRP has resulted in measurable benefits to wildlife populations in many areas of the country. Here are a few examples of this type of research:

- During 1992-1997, nest success of five common duck species were 46% higher with CRP on the landscape in the Prairie Pothole Region (PPR) of North Dakota, South Dakota, and Montana compared to a simulated scenario where existing CRP was replaced with cropland (Reynolds et al. 2001). This study concluded that an additional 12.4 million recruits were added to the waterfowl fall flight as a result of CRP from 1992-1997.
- During 1990-1994, nest success of female pheasants in north central Iowa was 40% higher in large blocks of CRP than in smaller fragmented nesting cover types like roadsides and fence lines (Clark and Bogenschutz 1999). When CRP acreage was enrolled in large fields, pheasant populations were 53% greater compared to no CRP (Clark and Bogenschutz 2001)
- Based on densities of 12 grassland songbird species in CRP fields compared to adjacent croplands, Johnson and Igl (1995) predicted that populations of at least five of these species would decline statewide in North Dakota by 17% or more if CRP was greatly reduced on the state's landscape.

These studies document positive impacts of CRP on wildlife populations. Overall, the collection of scientific evidence demonstrates that CRP has been a major contributor to helping many species of waterfowl rebound to record levels following the return of precipitation to the northern prairies in 1993. This impact of CRP on waterfowl populations is further substantiated by comparisons with the Canadian prairies where waterfowl nest success and population growth remains low and CRP and other conservation cover programs are lacking. CRP has been a boon to pheasant populations throughout the plains states and the Midwest. Non-game grassland birds, one of the fastest declining groups of birds in the country have also responded positively to the habitat afforded by CRP, staving off declines that could lead to increased listings of threatened and endangered species.

CRP has helped many farmers diversify their income sources through incorporating grass agriculture and recreational based businesses into their operations. Some have decided to use CRP to help make the transition from cropping to ranching. Hundreds of farmers in the Dakotas and Iowa have restored formerly drained wetlands within their CRP tracts through CP-23. Many others are using available incentive programs to install grazing systems on expiring CRP. Others are using CRP payments to stabilize their financial situation and to pay off debt. As of May 2003, portions of more than 400,000 farms have enrolled in CRP across the nation. CRP remains very popular in prairie states like Texas, Kansas, Nebraska, and Minnesota where portions of over 20,000 farms in each of these states have enrolled in CRP. As noted earlier, generally the supply of CRP often falls short of demand by a 1:3 ratio. During the last general signup (Signup 26) this ratio was even higher in several Prairie Pothole states. In Montana only 24% of 2,293 offers were accepted, in North Dakota only 9% of 3,003 offers were accepted, and in South Dakota only 15% of 2,002 offers were accepted. Clearly CRP remains a very popular program among agricultural operators.

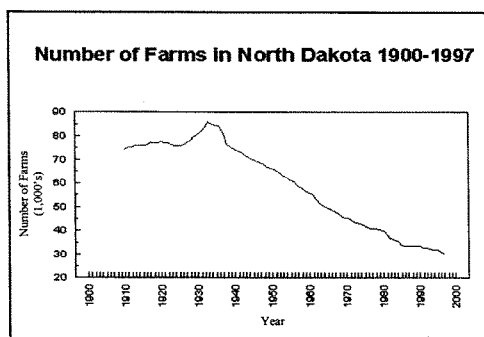
U.S. taxpayers are benefiting from cleaner air and improved water quality, because CRP removes greenhouse gases from the atmosphere and reduces soil erosion and nutrient runoff into our

waterways. Recovering wildlife populations are enjoyed by sportsmen and wildlife watchers across the nation generating millions of dollars and jobs for rural economies. Additionally, increasing wildlife populations are helping to diversify income sources for farmers who are responding to strong demand for fee hunting opportunities by operating hunting-related businesses. Many producers also have opened up the land they have enrolled in CRP to public access for hunting and fishing, thus improving the relationship between landowners, state fish and wildlife agencies and the hunting and fishing public.

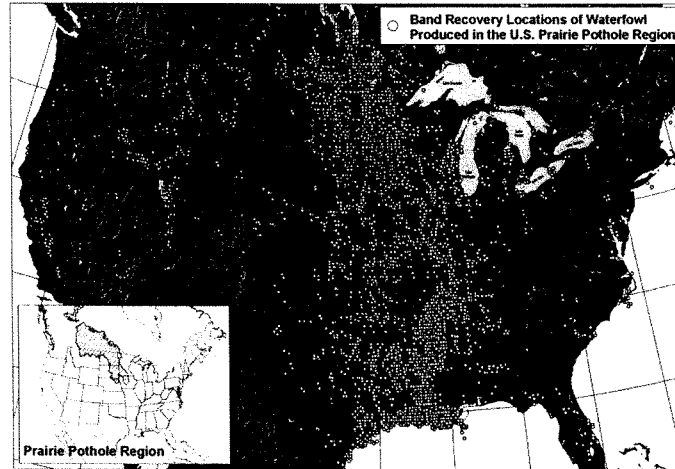
It is important to dispel some of the misconceptions concerning the impacts and distribution of CRP. One such misconception is that CRP has been causing the population decline of rural America by taking land out of production. Upon examination of the data, it is clear that rural population decline and the decline in the number of farms across the plains started decades before CRP ever entered the picture. In the case of North Dakota (see figure at right) the decline in farm numbers started in the 1930s and has actually slowed since the introduction

of CRP in 1986. When one looks to prairie Canada, where there is no CRP-type program, these same trends, declining farm numbers and rural population decline, are also occurring. These data indicate that factors other than CRP are driving decline in farm numbers and rural populations, and it is possible that CRP is helping to reduce this trend. The USDA's Economic Research Service (ERS), in their February 2004 Report to Congress entitled *The Conservation Reserve Program: Economic and Social Impacts on Rural Counties*, found that post-1985 population trends in rural counties were largely unaffected by high levels of CRP enrollment.

Several prominent economists have demonstrated that through the advances in agricultural technology, a farmer can now cultivate many more acres than was possible in the past and they require a smaller labor force. In many ways agriculture is a mature industry in America, relying on large automated machines, an extensive transportation network, and precision equipment to plant, harvest, and transport grains. These technological developments require a much smaller labor force and allow large agricultural operations that simply do not require or support the labor force that was needed historically in rural America. In fact other service based industries, which require larger labor forces such as tourism, recreational operations, and retail to support entrepreneurial small businesses, which are often founded around quality natural landscapes are supported by conservation programs such as CRP. The ERS report to Congress conservatively estimates the value of selected wildlife-related activities attributable to CRP to be in excess of \$700 million per year. Instead of CRP being viewed as contributing to the decline of rural America, it holds promise in helping to restore quality natural landscapes around which new and diversified service sector and small business jobs can be built.



CRP has provided documented wildlife benefits to waterfowl, upland game birds, grassland songbirds, and many other species of grassland wildlife. The map below illustrates how CRP, in the Prairie Pothole Region, has national importance by helping to provide waterfowl to almost every state (map below shows the location of ducks banded in the PPR and how they migrate).



In 2007, over 16 million acres of CRP contracts expire, with an additional 6 million acres expiring the following year. CRP should continue as USDA's flagship conservation program, and be reauthorized with a focus on enhancing and expanding the existing CRP "wildlife legacy." Given all of the benefits of CRP to producers, the environment, and the American public, we cannot afford the loss of CRP authorization in the next Farm Bill. Such a loss would negate many of the documented wildlife and other environmental benefits that resulted from CRP over the past 20 years.

The CP-23 wetland restoration practice has been vital to restoring both the small wetlands and adjacent grasslands necessary for waterfowl, pheasants, and other wildlife. Under the general CRP signup options, this practice has enrolled 1.5 million acres. With the stated purpose of increasing the availability of this practice for wetland restoration, CP-23 was removed as a general signup option and made available through the ongoing continuous CRP (CCRP). Following the 26th general CRP signup, CP-23 eligibility was restricted to 100-year floodplains only with additional limitations related to eligibility for associated upland enrollment, effectively removing opportunities for wetlands restoration over large regions of the country. We recommend CP-23 requirements be restored allowing enrollment of depression wetlands outside of 100-year floodplains with sufficient associated uplands (6:1) within the CCRP. This

will maximize wildlife production from CP-23's and assist farmers and landowners with areas that are problematic for farming operations

Full technical assistance (TA) should be made available for program implementation that does not involve either acreage reductions or cuts to other important conservation programs. We support language in the current Senate budget resolution calling for these funds to be made available through the Commodity Credit Corporation. During the 26th general CRP signup it was apparent that additional resources should be made available to NRCS, FSA, and private sector organizations, to assist applicants during the signup process.

CRP management is an important tool to maintain and enhance CRP wildlife productivity throughout the contract period. Provisions for managed haying and grazing, mid-contract management, and the setting of primary nesting/broodrearing seasons should allow for regional variations and be driven by a goal of protecting and enhancing resource benefits. In some regions of the country more frequent disturbance of CRP may be necessary (e.g. every two or three years in much of the South and East), while over much of the grasslands regions of the northern and southern plains, management may only be needed once or twice during a ten-year contract. We recognize that much of the CRP "wildlife legacy" can be directly attributed to large blocks of grassland in the upper Midwest, but note that additional efforts are necessary to ensure that this wildlife legacy is shared nationwide, especially in the southeastern section of the country where CRP lands have not achieved the wildlife benefits expected. In the Southeast, more attention needs to be given to establishment and management of CRP cover types beneficial to priority wildlife species, as opposed to the tree and introduced grass monocultures that have been the dominant covers resulting from previous signups. CRP establishment and management should promote biodiversity and long-term sustainability of both forest ecosystems and early successional habitat. Several programs can assist with this such as FLEP and WHIP, but need adequate funding.

We support continued use of the Conservation Reserve Enhancement Program (CREP) and the Continuous CRP (CCRP) sign-up as valuable tools to provide resource benefits in many areas of the country. We support the Departments' involvement with the Northern Bobwhite Quail Conservation Initiative and urge immediate implementation of CCRP practices targeted to improve bobwhite quail habitat needs. These practices will also have wide-ranging positive impacts on declining populations of songbirds that are habitat associates with bobwhites.

WETLAND RESERVE PROGRAM (WRP)

The Wetland Reserve Program (WRP) was established by Congress in the 1990 Farm Bill and reauthorized in 1996 and 2002. In the 2002 bill, the national aggregate cap for WRP was set at 2,275,000 acres nationwide, a significant increase over the previously authorized maximum of 1,075,000. We applaud Congress, and this Subcommittee in particular, for their leadership in responding to landowner and producer interest in this ever-popular provision of the Farm Bill. As of the end of fiscal year 2003, 1,470,998 acres had been enrolled in WRP in all 50 states and Puerto Rico. Clearly, the nation's farmers, ranchers and foresters are helping to offset the loss of wetlands as called for by the President in his recent Earth Day Speech. Farms are enrolling lands

in conservation programs such as WRP, CRP, and CREP. Popularity of WRP is particularly high in the Lower Mississippi Valley states of Mississippi, Louisiana, Arkansas, Missouri, Tennessee, Kentucky, and Illinois where 42% of the program acreage exists. Nationwide, demand for the program continues to exceed the annual acreage authorization (250,000 acres) by a factor of 3:1.

As mentioned in the introduction, voluntary, incentive-based conservation provisions as a component of national agriculture policy have provided the framework for “win-win” solutions on the farm and across the rural and urban landscape. WRP has provided an avenue for hard-pressed farmers and ranchers to realize an immediate economic return on their investment by converting marginally productive or flood-prone lands into more appropriate uses. As a result, these lands are not only providing additional recreational opportunities but also other societal benefits such as improved water quality, increased flood storage capacity and enhanced wildlife habitat.

The Lower Mississippi Alluvial Valley portions of Arkansas, Tennessee, Louisiana, and Mississippi comprise one of the most important waterfowl wintering areas in North America wintering at least 5 million ducks and geese annually. WRP has restored winter flooding on at least 45,000 acres, potentially providing feeding habitat for over 280,000 waterfowl. In Arkansas, Louisiana and Mississippi, WRP has reforested more than 400,000 acres of marginal farmland, providing habitat for a variety of wildlife beginning almost immediately and continuing as the forest grows and matures. White-tailed deer populations are high on WRP lands within days of planting, and as the forest matures Eastern Wild Turkeys return to the land, providing outstanding hunting opportunities.

Non-game wildlife benefits of WRP are also substantial. Many species of neo-tropical migrant songbirds are declining throughout their range. Many of these species are “area sensitive” meaning they require large, contiguous tracts of forestland to maintain stable or growing populations. Through WRP reforestation efforts, many existing mature tracts of bottomland hardwood forest have been reconnected, expanding the total forested area, and aiding the recovery of area sensitive species like Swainson’s Warblers and Swallow-tailed Kites. The WRP program is also important to the recovery of the Louisiana black bear, a threatened species in Louisiana and Mississippi. Black bears are also area sensitive; hence WRP reforestation efforts will contribute to the recovery of their populations. Reforested lands also filter runoff and retain floodwaters, thereby enhancing regional water quality for a variety of fish and mussels, including the endangered pallid sturgeon, the pink mucket and the fat pocketbook mussels.

Partnerships between state and federal agencies, wildlife conservation groups and landowners have proven to be the key to success of WRP throughout this country. This is especially true for the restoration component of WRP wherein NRCS has partnered with non-government organizations like Ducks Unlimited in many states to restore and re-vegetate wetlands in a timely and cost-effective manner. However the challenges of implementing the Technical Service Provider (TSP) program, coupled with the lack of Technical Assistance (TA) funding available to state level NRCS staff, has led to scaled back restoration activities on WRP lands in key states, as NRCS staff attempts to balance TA and Financial Assistance (FA) accounts. This largely administrative hurdle must be overcome soon if WRP is to achieve the objectives as

defined in the 2002 Farm Bill in a timely and cost-effective manner. Full TA should be made available for program implementation that does not involve either acreage reductions or cuts to these and other important conservation programs. We support language in the current Senate budget resolution calling for these funds to be made available through the Commodity Credit Corporation.

We look forward to continued work with NRCS in resolving the TSP issue (NRCS reports that the TSP final rule will be released early this summer). We also recommend fully funding WRP to the authorized acres by the end of FY 2007.

WILDLIFE HABITAT INCENTIVES PROGRAM (WHIP)

The Wildlife Habitat Incentives Program (WHIP) plays a unique role in conservation program toolbox, because it can target specific fish and wildlife resource needs that other larger and better-known Farm Bill conservation programs may not be able to address. WHIP fills in the fish and wildlife conservation gaps and is popular with landowners and land managers that have not been the traditional beneficiaries of other Farm Bill commodity or conservation programs. While assisting recovery efforts for species currently listed as threatened or endangered under the Endangered Species Act, WHIP also is an essential part of the nationwide effort by state and federal agencies to address the habitat needs of species in decline before they get to the point where limited resources must be directed toward the listing process. For example, Kansas is using WHIP funds to remove invading trees from prairie chicken habitat and Utah is working to conserve sage grouse habitat. In Oklahoma, WHIP cost-share practices have focused on controlling eastern redcedar, which is a serious threat to native grasslands throughout the state that support at-risk species. In Oklahoma and Kansas, eastern redcedar and other woody encroachment is the single largest threat to remaining lesser prairie-chicken populations and ranching enterprises. In Oklahoma alone, eastern redcedar invasion consumes 300,000 acres annually, or 762 acres of prime native grasslands each day. Left unchecked, projections show a loss of livestock grazing, wildlife habitat, and eco-tourism potential worth \$447 million within the next decade. The North American Grouse Partnership, Quail Unlimited, The Nature Conservancy, and other conservation partners are actively working to leverage WHIP dollars to maximize conservation benefits to Oklahoma ranchers and grassland wildlife species of concern. In Kentucky, WHIP funds will be used to help protect a cave that should preclude the need to list the Beaver Cave beetle.

A wide variety of fish and wildlife have benefited from WHIP projects, including the bobwhite quail, grasshopper sparrow, swift fox, short-eared owl, Karner-blue butterfly, gopher tortoise, Indiana bat, and acorn woodpecker. USDA's recent announcement that \$3.5 million in WHIP funds will be used to restore salmon habitat demonstrates the wide-ranging benefits of the program.

Although Congress has increased the appropriation for WHIP each year since passage of the 2002 Farm Bill, producer demand for the program continues to outpace available funding. According to NRCS's summary of un-funded WHIP applications there were 2,406 un-funded WHIP applications totaling over \$22 million in FY 2002 and over 3,600 un-funded WHIP

applications in FY 2003 totaling over \$40 million. This includes over \$4 million in un-funded applications last year in the Chairman's state of Oklahoma, the largest funding shortfall in the country. WHIP's popularity with landowners and conservation partners is based on its targeted fish and wildlife benefits and because it addresses important management needs on lands that are not eligible for cost-share under other USDA conservation programs.

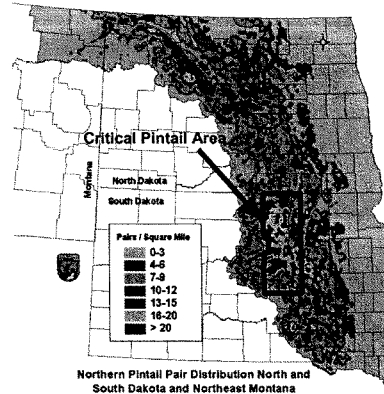
We recommend fully funding WHIP at the authorized level of \$85 million in FY 2005. We also recommend authorizing the use of incentive payments within WHIP to encourage certain habitat practices beneficial to priority species, for example agricultural field buffers managed for bobwhite quail and grassland birds.

GRASSLAND RESERVE PROGRAM (GRP)

Most native grasslands in the heart of the U.S., running from Texas to the Canadian border, have been converted to cropland since the 1800s. Nearly all of what was once tall-grass prairie has been converted to row-crop agriculture and now produces corn and soybeans. The mid-grass and short-grass prairies, further west, are becoming increasingly fragmented, but still provide a critical basis for our nation's livestock industry. In North Dakota alone, over 70% of native grasslands have been lost and thousands of acres continue to be plowed under each year. The ranchers who steward these lands do so mostly on their own. While these plowed lands have traditionally supported the production of small grains in a crop/fallow system of cultivation, these areas are being converted increasingly to the production of new varieties of soybeans and other crops that are more drought-tolerant. In the East and Mid-South, areas once dominated by native prairie are now established to monocultures of introduced pasture grasses that are often over-grazed and devoid of wildlife habitat. Once broken, native prairie can only be restored to its former productivity and use after many years of intensive management, which requires both technical and financial assistance.

Remnant grasslands provide for an abundance of wildlife habitat, particularly for several rapidly declining species of grassland nesting birds. Native grasslands are also critical to pintails, and to declining songbirds and shorebirds such as Sprague's Pipit, Baird's Sparrow, and McCown's Longspur. More than 300 migratory bird species rely on the prairies, 170 species for breeding and nesting habitat and another 130 for feeding and resting during spring and autumn migrations. Many other wildlife depend on the prairies, including 25 mammals, 8 reptiles, 4 amphibians, and more than 55 species of butterflies. Native prairie is comprised of hundreds of species of plants supporting a multitude of unique species. Many of these plant species could have agronomic or economic value as new cultivars of grain and other crops are developed by future generations. Once plowed, this assemblage of species is nearly impossible to completely restore.

An example of national significance is the decline of the northern pintail population. During the 2003 breeding season, continental pintail populations were estimated to be 54% below the North American Waterfowl Management Plan goal. The collection of scientific evidence to date suggests that the strongest factor influencing declining pintail populations is reduced nest success on prairie breeding grounds caused by loss of grassland nesting cover. A common misconception is that the remaining prairie pothole grasslands are not at risk of tillage because poor soil conditions do not support row-crop agriculture. Yet, grasslands across the Prairie Pothole Region continue to be lost. In South Dakota alone 3.5 million acres of grassland were converted to other uses between 1977-97. In 2002, nearly 13,000 acres of native grassland were lost in just two South Dakota counties within the critical pintail breeding area. Demand for conservation far outstrips supply. Ranchers are standing in line to protect their land and their heritage with grassland easements.



With the authorization and implementation of the Grassland Reserve Program (GRP) in the 2002 Farm Bill, a vital tool was added to the conservation toolbox to assist ranchers in preserving their rangelands, their heritage, and the critical grassland wildlife habitat that remains. Although the program is too new for scientists to have conducted thorough evaluations of the impacts of the grassland protected under GRP on wildlife populations, it is clear that if grasslands continue to be lost many of the plant and animal species that depend on them will decline with some of them approaching levels requiring designation as threatened or endangered species.

In 2003, \$49.9 million was made available to fund GRP contracts and 812 contracts were awarded to protect 240,968 acres of critical grassland habitat. The landowner demand for this initial round of GRP funding was overwhelming. Oklahoma had 357 offers in 60 of 77 counties, but only 12 offers in 6 counties were approved. In Texas, 1.2% or 19 of 1,549 applications were funded. In South Dakota, applications for funding totaled \$150 million for the \$1.4 million allocated to the state. In North Dakota, 471 applications requesting \$35.6 million were received, but only 3 projects could be funded (less than 1%). In Nebraska, 532 applications requesting \$59.3 million were received, but only 6 were funded (1.1%). These figures clearly demonstrate the overwhelming demand for this new grassland conservation program and the importance of making the best use of limited funds by placing all three emphasis areas of plant and animal diversity, support for grazing operations and threats of conversion on equal footing in the application ranking process.

Most of the best soils for growing crops were brought into cultivation decades ago. The remaining grassland being plowed today is highly marginal in value for agricultural production, but it is highly valuable and necessary habitat for a large variety of wildlife as well as the

ranching industry. Even after the passage of “Sodbuster” regulations in the Food Security Act of 1985, agricultural producers have continued to convert native, highly erodible lands, subject to securing a conservation plan that requires sufficient “residue” to remain on converted lands each fall. For example, USDA estimates that between 1982 and 1997, over 1.4 million acres of rangeland was converted in a major portion of the Northern Great Plains.

The native grasslands remaining in the U.S. provide critical wildlife habitat, enhance water quality, sequester greenhouse gases, and provide a forage base to maintain viable ranching operations and traditions well into the future. Due to the overwhelming demand for GRP and the public benefits of protection of the remaining native grassland in the U.S., increased funding for this program should be considered. Further, given the historic loss of grasslands, increased GRP funding should also be made available to fund native grassland restoration efforts. This will benefit many species of wildlife, but will also allow farmers and ranchers to diversify and drought-proof their grazing and haying operations.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

The Environmental Quality Incentives Program (EQIP) was authorized in the 1996 Farm Bill to replace four smaller, preexisting agriculture conservation programs. The 2002 Farm Bill authorized greater funding levels for EQIP than any of the other conservation programs that are capped monetarily. EQIP’s purposes include providing flexible assistance to producers to install and maintain conservation practices that enhance soil, water, related natural resources including grazing lands, wetlands and wildlife while sustaining production of food and fiber.

Unfortunately, to this point wildlife conservation has largely been ignored in EQIP implementation. We recommend that direction be provided to USDA agencies in each state that State Technical Committees (STC) should formally identify “at-risk species” utilizing input from the state fish and wildlife agency and the U.S. Fish and Wildlife Service. “At-risk species” need not be limited to threatened or endangered species, but can include any animals or plants that the STC deems in need of direct intervention to halt their population decline. EQIP ranking criteria, at the state and local work group levels, should be structured so that applications that will contribute to habitat restoration for “at-risk species” are prioritized for funding, at least to a level co-equal to other resource concerns. Habitat restoration for “at-risk species” should be encouraged through EQIP incentive payments and cost-share payments of at least 75%.

SWAMPBUSTER

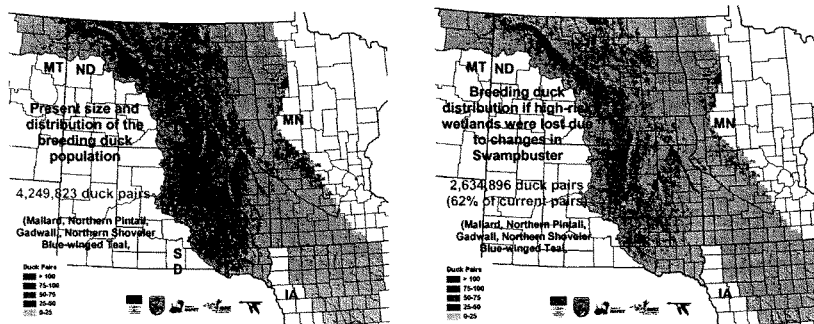
On April 22, 2004 to celebrate the 35th Earth Day, President Bush announced an aggressive new national goal of moving beyond a policy of “no net loss” of wetlands to an overall increase of wetlands in America over the next five years. Because the conterminous U.S. has lost approximately 52% of its original wetlands, this bold new policy will move the nation beyond just stopping overall wetland loss to increasing the vital functions of absorbing floodwaters, improving water quality, buffering coastal erosion, and enhancing wildlife habitat for hundreds of species that wetlands provide. Achieving this goal will require cooperation and diligence in

protecting further wetland loss through regulatory and disincentive programs and encouraging wetland gains through incentive programs like the North American Wetlands Conservation Act (NAWCA) and the conservation title of the Farm Bill in particular the Wetlands Reserve Program (WRP) and the Conservation Reserve Program (CRP).

Secretary of Agriculture Veneman further announced on April 22, 2004 that America's farmers and ranchers produced a net increase of 131,4000 acres of wetlands from 1997-2002 according to the latest Natural Resources Inventory (NRI) statistics. These figures represent a dramatic turn around from 1954-1974, where past NRIs showed an average loss of 400,000 acres of wetlands on our nation's farms and ranches. The wetland trends reported by the NRI are the result of both disincentive programs such as Swampbuster which discourage the drainage of wetlands to grow commodity crops and incentive programs such as WRP, CRP and the Conservation Reserve Enhancement Program (CREP) which provide voluntary financial incentives to producers to restore wetlands on their marginal lands.

Swampbuster was established under the 1985 Farm Bill and is designed to discourage producers from draining wetlands by seeking to withhold farm program benefits from any entity who plants an agricultural commodity crop on a wetland converted after December 1985 or converts a wetland for the purpose of agricultural commodity production after November 1990. Swampbuster can be a vital tool in slowing the loss of wetlands, and therefore needs to be retained in future Farm Bills.

History tells us that the wetlands most vulnerable to drainage are the small, shallow wetlands that exist in heavily cropped landscapes. A recent analysis conducted by the U.S. Fish and Wildlife Habitat and Population Evaluation Team (HAPET) found that if Swampbuster protection was lost for these "vulnerable" wetland types in the Prairie Pothole Region of the Dakotas that the breeding waterfowl population would be reduced by 1.6 million (-38%) (see figures below). This analysis is evidence of the overall effectiveness of Swampbuster in protecting the wetlands most valuable to breeding waterfowl.



In accordance with the recommendations of the GAO Report, *Agricultural Conservation: USDA Needs to Better Ensure Protection of Highly Erodible Croplands and Wetlands*, Swampbuster enforcement also needs to be enhanced to realize the full benefits of the provision. The GAO reports suggest the USDA should ensure that noncompliance waivers for identified violations are supported with adequate justification. The report also indicated that in response to farmers' appeals that waivers were issued in 6,948 of 8,118 cases (61 percent) from 1993-2001. In many cases, the GAO showed that waiver decisions were not adequately justified. Without enforcement support, field staff have less incentive to find farmers out of compliance when such a finding is indeed warranted.

Maintaining a strong Swampbuster provision is especially critical to protect the smaller, shallow wetlands most important to wildlife in light of the 2001 U.S. Supreme Court decision, *Solid Waste Agency of Northern Cook County v. United States Army Corps of Engineers* (SWANCC) decision that questioned Clean Water Act protection of wetlands under the Migratory Bird Rule. In summary, the Swampbuster provision of the Farm Bill is vital to meeting the new national policy of an overall increase in America's wetlands each year. We recommend that USDA identify the steps that will be taken in response to the GAO report and that the Swampbuster provision should be maintained and enhanced in the next Farm Bill.

CONCLUSION

The conservation title of the 2002 Farm Bill provided authorizations for the largest array of conservation programs ever enacted within federal farm legislation. These programs are critical tools for the long-term conservation of soil, water, and wildlife habitat that also ensure a sound financial base for agriculture.

The majority of the wetlands, grasslands, and bottomland forests that originally existed in the U.S. have been lost. Many species of grassland and wetland wildlife continue to decline, many streams and rivers continue to fall below water quality standards, carbon and organic matter continues to be depleted from agriculture soils as a result of cultivation. Unfortunately, given the habitat deficit that existed when the 1985 Conservation Title was initiated, our nation's conservation work is far from complete.

As illustrated in this testimony, scientific studies demonstrate that CRP and WRP are resulting in measurable positive impacts on our nation's wildlife resources. As data are gathered on the newer or expanded conservation programs such as GRP, WHIP, CSP, and EQIP, we will be able to determine their effectiveness and suggest modifications to improve efficiency in reaching program goals.

The funding and available acreage for conservation title programs continues to fall woefully short of demand. Almost 70% of farmers and ranchers who want to enroll in CRP and WRP are turned away. The rejection rate for GRP is even more dramatic. Producers and rural communities want more of these programs. The documented interest in CRP, WRP, and GRP by farmers and ranchers speaks loud and clear. Farmers and ranchers desire a much higher level of conservation program funding and acreage availability than our nation is currently providing to

restore their marginal lands to more sustainable uses, diversify their economic base, and improve environmental conditions on land under their stewardship. Simply put, we are not meeting their demand for assistance with their conservation efforts. These are the people who make up our rural communities, who are working the land, and who are the primary constituents of our nation's Farm Bill. We need to acknowledge these facts and look to better meet the demand for conservation title programs in the future. This can be done while meeting the legitimate needs for supporting the production of our nation's food and fiber. This Subcommittee will play a vital role in insuring that the conservation needs of America's agricultural producers are met while balancing the needs for insuring continued agricultural production.

It is our view that full implementation of these programs can provide necessary conservation of soil, water, and wildlife resources, while protecting and enhancing our nations' farmers and ranchers ability to produce abundant and safe food supplies. In order for the full benefits of these programs to be realized, funding levels must allow producers access to the program levels authorized by Congress in 2002. Additionally, adequate technical assistance must be available to producers for program implementation. USDA should make greater use of partnership opportunities by pursuing cooperative and/or contribution agreements with state fish and wildlife agencies, non-governmental conservation organizations, and other qualified entities for delivery of Farm Bill conservation programs to insure integration of wildlife with other resource concerns. The contribution agreement between the Oklahoma Department of Wildlife Conservation and NRCS to deliver technical assistance for the WHIP program provides an example where federal and state agencies that share a common purpose can work together for the benefit of the producer and the wildlife resource.

Last December and again last month, the President met with many of our group's leaders. He spoke of his strong support for wildlife conservation and of our groups' collective efforts at maintaining and enhancing America's wildlife heritage. The President voiced support for voluntary incentive-based programs such as the Conservation and Wetlands Reserve Programs. He echoed that support during his Earth Day speech last month. It is our hope that we can build upon that view with the members of the Subcommittee as we approach a new generation of farm legislation. We have numerous success stories from across this nation that document the proven success of CRP, WRP, WHIP and we hope to soon have new success stories about programs like the GRP and CSP. We offer our assistance not only in helping to deliver these programs to our nations farmers and ranchers, but in helping to craft legislation and policies that will build upon our success stories.

We would be remiss if we didn't note that representatives of many of our organizations have worked with numerous offices of both the Farm Service Agency and the Natural Resources Conservation Service. While we don't always agree on solutions to issues, in our view this type of relationship is critical to maximizing program implementation for resource benefits and we acknowledge and thank our colleagues in these agencies for their willingness to listen and work with us.

Thank you for the opportunity to provide comments as you deliberate the role and future of conservation titles in agriculture policy. We have made the case that maintaining and expanding the scope of several proven conservation programs that are integral to a successful and balanced

farm policy. The long-term health of our country and its citizens depends upon merging agriculture and conservation together in decision-making processes. We can lead the world in agriculture production while we maintain and improve our environment at the same time. The road to successfully achieving those goals starts with this Subcommittee.

Please do not hesitate to call upon us for any reason regarding these important issues. I would be happy to answer any questions you have.



National Grain and Feed Association

June 15, 2004

The Honorable Frank Lucas, Chairman
House Agriculture Committee
Subcommittee on Conservation, Credit, Rural Development & Research
1741 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Lucas:

The National Grain and Feed Association (NGFA) and the North American Export Grain Association (NAEGA) respectfully request this letter be included in the record of the June 15 subcommittee hearing entitled "Review of Implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002." NGFA and NAEGA are concerned about the significant negative economic impact in local areas and the adverse impact on U.S. agricultural competitiveness worldwide of a large number of acres being enrolled in the Conservation Reserve Program (CRP). By idling productive resources, less economic activity occurs, less seed is sold, fewer inputs are purchased and applied, there is less grain to harvest and market, and there are fewer people in rural areas to patronize retail stores. Studies have shown that a reduction in wheat plantings of 1 million acres results in a total loss of more than 4,000 jobs throughout the economy. A separate study by Univ. of Minnesota economists in 1994 found that acreage idling programs in the past four decades (1950 to 1990) were responsible for 30 percent of the loss in non-farm rural population, confirming that less economic activity causes job loss and depopulation of rural areas, not just in farming but also in other sectors.

The NGFA is a U.S.-based nonprofit trade association of about 1,000 grain, feed, processing, transportation and grain-related firms comprising 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. Approximately 70 percent of our members are located in areas with concentrated farming operations, operating local grain elevators and feed mills typically serving rural communities. For this reason, many of our members have a first-hand perspective of the local impacts of the CRP and its administration.

NAEGA, established in 1912, is comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States.

We commend you for holding this hearing. While the focus of the hearing is implementation of all farm bill conservation programs, our members and other local businesses are most affected by the CRP. With substantial CRP acreage expiring in 2007 and 2008, some forward policy thinking today could help manage a smoother transition toward whatever new directions the program takes.

Our view of the current CRP programs is that, while there are acknowledged benefits, there are also facets of the program that create negative consequences and deserve serious reconsideration. We would urge the following options be considered:

- First, we would urge that the program be shifted away from the enrollment of whole farms and toward partial fields to better address water quality issues which many believe are the most critical environmental element in U.S. agriculture's long-term economic future.
- The cap of no more than 25% of tillable acres in a county being entered in the program needs to be reconsidered. Because of inaccurate data used to set the actual numerical cap in each county, and because CRP ground often becomes concentrated in certain sections of a county, the impact on a local economy can sometimes far exceed a 25% loss in agricultural output.
- We would also urge that the overall cap of the program should be revised downward. Because of many factors at work in the global economy, we think there are some excellent opportunities to grow the U.S. agricultural economy in the next few years. We need more acres in production to feed growing demand and one way to accomplish that would be to change the law to allow some early outs to gradually add to production resources, and then to reduce the acreage cap on the program.

Impact of CRP on Local Communities

One of the most surprising conclusions of the recent ERS study on CRP impacts was that in counties that had high percentages of cropland enrolled in CRP, there generally was not, on average, a long-term negative impact on jobs, the local economy and local services, such as schools, hospitals and local government revenues. The anecdotal information we have received from our members that live in some of these counties is at odds with the USDA's study findings. Intuitively, when productive farms are idled for 10-20 year periods, and the community is largely dependent on agriculture to drive economic activity, economic damage would be an obvious expected outcome. Regardless of whether you are talking about farming, a manufacturing facility or any other business, it's hard to shut down a major part of the local business economy without losing jobs and foregoing economic opportunity.

Attached are some real-world examples of the economic damage to local economies caused by high enrollment of productive whole farms in the CRP. The examples come from Oklahoma, North Dakota, Idaho and Washington state. In Ellis County Oklahoma land now in the CRP totals 63,000 acres. Harvested cropland is only 97,000, suggesting

that the effective “cap” on CRP in that county is not 25% but nearly 40% of normal cropland acres. Since 1988 the town of Shattuck in Ellis county has lost 23 local businesses. (See appendix, section III.)

Harmon County, Oklahoma has been awarded the dubious distinction in that state of losing population at the fastest rate of all 77 counties in Oklahoma. Why? No jobs--- pure and simple economics. Agriculture is the only industry in Harmon County. How much of the population loss in that county is being driven by CRP versus just consolidation among farmers? We don’t know the answer to that, but total harvested crop acres in that county are only 84,000, while CRP ground totals 51,000, suggesting an effective CRP cap of about 38% of normal cropland acres. Go to a county in the U.S. somewhere that is solely dependent on a local manufacturer and ask them to sacrifice 40% of their productive capacity. Maybe you can compensate the owner of the factory to make that happen, but what happens to the rest of the population that was dependent on the factory remaining at reasonably high capacity? (See appendix, section IV.)

In North Dakota, a recent study shows that recreational revenues from activities related to CRP such as hunting averaged returning only 26% of the lost revenues from agriculture.

Another problem with idling large tracts of land for 10-20 years is the loss of rural infrastructure. The Red River Valley & Western Railroad, a regional railroad in North Dakota submitted a letter to us explaining that two branch lines in that state had been abandoned in areas that had a high concentration of CRP ground. The Burlington Northern Santa Fe Railroad just announced the abandonment of another 50 miles of track in North Dakota. Loss of such infrastructure means that it becomes more expensive to move the remaining grain to market. And rail lines, once abandoned, are rarely rebuilt. Those that invest in agricultural marketing and input infrastructure don’t just keep blindly pouring money into maintaining that infrastructure, based upon a hope that someone someday will eventually decide to forego the government’s land idling payments and start actively farming the land again. (See appendix, section V.)

In Idaho, we received a letter recently from the Co-op manager in Moscow, Idaho that told us he wasn’t going to renew his membership in our Association. That company is about to be merged with another cooperative. That manager writes, “USDA’s CRP program is a major reason for the downfall of our company. Over 45,000 acres in our service area are now in CRP.” (See appendix, section VI.)

In the state of Washington, the elevator manager from Lind, in Adams County, says that about 1/3 of the acres in his marketing area are out of production, much due to CRP. In Lind Washington, the population has dropped nearly 30%. School enrollment has dropped 40%. They’ve lost two farm equipment dealerships, a bank, an insurance broker, and a hardware store. In a neighboring town in the same county, the school has ½ the enrollment it had 12 years ago. The elevator manager there extends a personal invitation to anyone to visit that area to see first person what CRP has done to their way of life. To be sure, some of the “environmental damage” of CRP that doesn’t appear in the

researchers' formal analysis is the reduced quality of life for those that do remain in local communities where large numbers of houses are just abandoned, store fronts are boarded up and local infrastructure falls into disrepair. (See appendix, section II.)

Impact of CRP on Tenant Farmers

At a recent Washington D.C. farm policy conference, ERS economists noted that current farm programs----including all types of farm programs----were having the unintended consequences of artificially inflating land values and creating benefits that largely flow to land owners rather than farm operators.

In this respect, the CRP program has the same shortcomings as all other farm programs. However, the CRP is more pernicious for tenant farmers than any other farm program, because it not only benefits solely the landowner, but also increases the economic pressures on tenant farmers. While CRP rental rates are intended to reflect local market conditions, the program puts the U.S. government into active competition with tenant farmers bidding for the use rights to land. For farmers that are trying to put together an economic-sized farming unit, this may make available rental land more scarce and more expensive. The National Farmers Organization in 2001 noted this in testimony stating, "CRP is widely utilized by retiring farmers and investors as an income source that artificially inflates land rental costs and discourages retired farmers from renting land to beginning farmers for a 10-year period."

When we are trying to compete against aggressive growing agricultural economies, such as those in South America, we don't need our policies to be inflating production costs for U.S. farmers that rent a large portion of the land they are planting.

The Overall Market Impacts of CRP

The United States has used acreage idling programs since the 1930s in an attempt to raise prices. When the U.S. held a more dominant position in global agriculture, the U.S. could temporarily raise prices by shorting the market with heavy resource idling programs. But in the last 25 years, because of expanded global competition and the decline of U.S. domination in production (which to some degree has been self-inflicted), unilaterally trying to raise prices through idling schemes is futile. In a recent policy conference, two noted ERS economists, Edwin Young and Paul Westcott, stated that one of the major lessons learned over 7 decades of farm policy is that "supply controls are unworkable." It has become abundantly clear that in an open world economy, what the U.S. does not plant on productive U.S. soils will be planted elsewhere----Europe, Canada, South America, Australia, India, Ukraine, etc.

Not only does acreage idling no longer have a lasting price impact in the U.S. or anywhere else around the globe, because it forces the agricultural economy to spread fixed costs over fewer acres, it raises the average production cost per unit. Idling schemes thus inhibit U.S.'s global competitive position in two significant ways—bidding

up land costs and increasing average production costs by reducing the total units of output over which fixed costs can be spread.

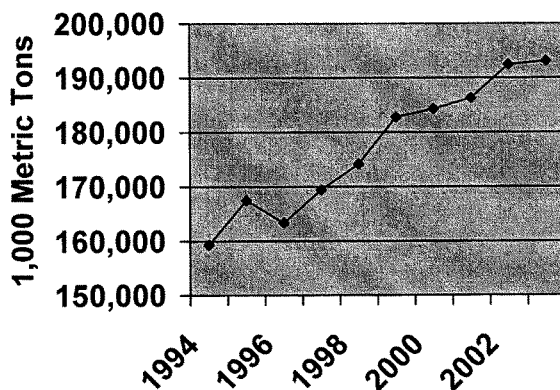
The major commodity that has been most affected by CRP buyout of whole, productive farms has been wheat. A majority of the CRP ground has been concentrated in wheat states. The result is that we have struggled at times in the U.S. to grow adequate quantities of certain classes of wheat for our own domestic mills. Predictably, wheat imports into the U.S. have accelerated over the life of this program.

Capturing the Growth Opportunities in U.S. Agriculture

We are entering a period in U.S. and global agriculture that has a lot of similarities with the early 1990s when global food markets experienced dynamic growth from expanding economies and improved diets. During that period, global food production truly struggled to keep pace with the growth in demand, and we may again face similar market conditions.

Global meat and poultry demand is growing at a 2.5% annual clip (see figure 1). Export markets for beef, pork and poultry have been one of the most dynamic growth markets in the last 15 years, and given the U.S.'s continued strong production of feed grains, we have the comparative advantage to grow this export business more----provided we have the grain and protein supplies to fuel that growth.

Figure 1 - Global Meat Consumption

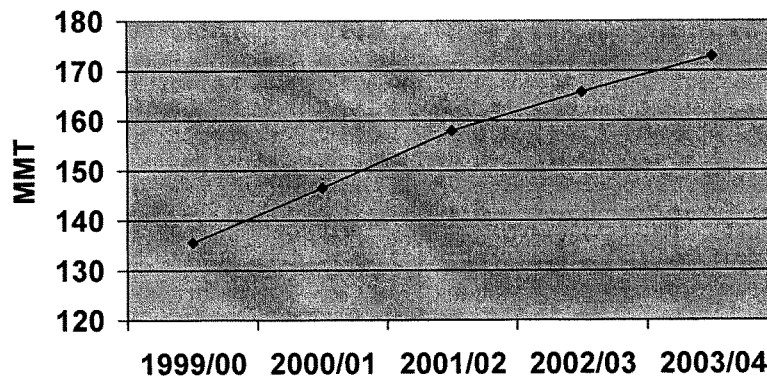


Soybean crush has been expanding at a rapid pace around the globe as well (see figure 2). In the last five years, soy crush has increased more than 6 percent annually. The Chinese

economy growing at an 8-10% annual rate across multiple years coupled with a decline in agricultural production in that country is a big reason for the growth spurt in soybean products. And the future Chinese demand is not limited to oilseeds, as two recent ERS reports on future Chinese wheat and corn markets project that country will remain a net importer of both of those important grains. The fact that the U.S. dollar is declining and remains under pressure to assist in rebalancing global trade flows suggests that the U.S.'s competitive position may also be enhanced by currency markets.

Fuel ethanol production in the U.S. is projected to absorb increasing quantities of corn. Of course, some of that industrial demand will be determined by tax and other government incentives and future legislation, but if crude oil markets stay firm near the levels they are today (in the \$40 per barrel range) we will no doubt maximize output from existing ethanol facilities, and very likely give further investment incentives to build even more capacity. Again, the growth potential will depend on whether we have the grain production capacity to facilitate the growth.

Figure 2 - World Soybean Crush



The potential for growth in U.S. and world markets is there, but the real question is whether the U.S. will have the resources to participate in that growth? A current assessment of the supply and demand situation suggests we will have to stretch our resources to grow with the market.

Figure 3 displays USDA ending stock estimates for the 04-05 marketing year at two different times. The far left-hand column was the estimate provided in the February baseline report. Ending corn stocks were forecast then at 1.289 billion bushels, wheat stocks at 735 million bushels and soybeans at a snug 186 million bushels. We've known for some time that the soybean market would test our market rationing skills in the U.S.

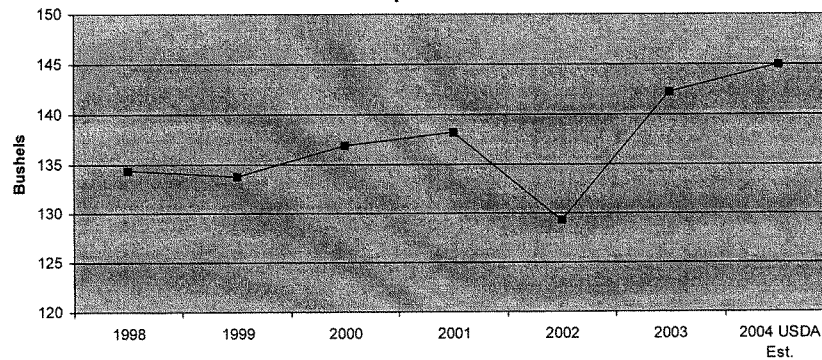
this year and next. The May USDA WASDE report forecast ending corn stocks to be down to 741 million bushels and wheat down to 499 million bushels. Thus, projected supplies in the grains are shrinking rather quickly. Projected soybean stocks remain about the same, largely because as a practical matter, they can't get much lower to maintain pipeline supplies.

Figure 3

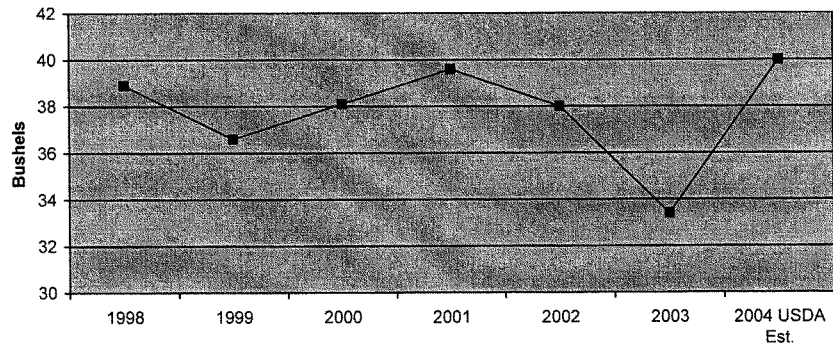
	2004-2005 USDA Baseline (Feb. 2004)	USDA/WASDE (May 2004)
Corn Ending Stocks	1,289	741
Wheat Ending Stocks	735	499
Soybeans Ending Stocks	186	190

While this supply situation may not look too dire to some observers, if you dig a little into the numbers, the picture becomes more concerning. The USDA corn estimate assumes a record yield. It's not that a record can't happen, but that would be two record corn yields back-to-back and recent floods in Iowa won't help make that happen. The soybean yield assumption behind these numbers is for a near-record 40 bushels per acre. Again, this is possible but we have only one year where soybeans exceeded 40 bushels per acre and U.S. soybean yields appear very flat in the last five years, even assuming that last year's poor yields are thrown out of the mix. See figure 4 showing corn and soybean actual yields and the USDA May projection for 2004 crops.

Figure - 4
Corn Yields per Acre 1998-2004



Soybean Yields per Acre 1998-2004



So what happens if soy yields and corn yields fail to trend upward as USDA predicts in its May report? Going back to the ending stocks estimates, figure 5 adds another column to the data shown in figure 3 with some yield assumptions changed. Without any adjustment in the expected demand levels for corn, wheat and soybeans, if these major crops only achieve yields at the 5-year average, and this includes throwing out the single-worst years for corn and soybeans that were substantially below trend, we're looking at ending stock numbers like these: corn at 224 million bushels, wheat at 476 million bushels, and soybeans at 48 million bushels. These numbers for corn and soybeans, of course, are below pipeline quantities, and in reality cannot occur. What that means is that anything below virtual peak yields and we are into another heavy rationing process. Tight market rationing does not grow demand. It will restrict the U.S.'s ability to participate in demand growth, and encourage our competitors to pick up the slack.

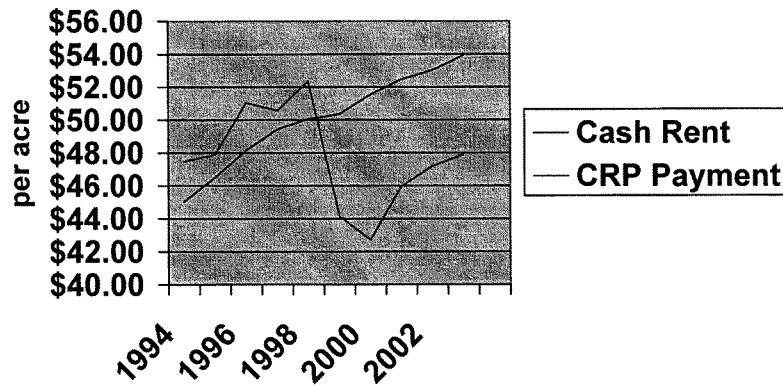
Figure 5

	2004-2005 USDA Baseline (Feb. 2004)	USDA/WASDE (May 2004)	Assume Crop Avg. Yield 1999-2003
Corn Ending Stocks	1,289	741	224
Wheat Ending Stocks	735	499	476
Soybeans Ending Stocks	186	190	48

We can play with the yield and acreage numbers and come up with various conclusions, but under the circumstances we face, it's much easier to conclude that we are in a tight market for grains and oilseeds for next year, and potentially several years in a row, unless fundamentals shift considerably.

How is this outlook being reflected in land markets? Well, cash rents are escalating, and rapidly in some areas. Figure 6 shows the difference in average cash rents for non-irrigated acreage and the rent being paid for the average CRP acres. While the averages reflect only a \$6 spread, the spread has grown to \$40-\$50 in some locations where highly productive acres have been idled. Clearly, the market for rented farm ground is telling us that more land is needed in active cultivation.

**Figure 6 -
National Cash Rent versus CRP Rent**



Conclusion

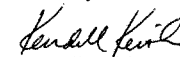
The evidence is compelling that the optimal structure for the CRP program is not simply an extension of the past program. A substantial move away from enrollment of whole productive fields is needed for several reasons:

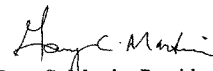
- There is a need to focus more of CRP resources on soil conservation and water quality. Deteriorating water quality is one of the most significant long-term challenges to a prosperous U.S. agriculture.
- Fewer whole farms enrolled in the program will lessen the economic pressures on farmer tenants, and allow them to have more flexibility in correctly sizing their operation to be competitive with both U.S. and international farmers. As tenant farmers make up 70% of all U.S. production today, the economic structure of that tenant farmer's business will do much to determine whether the U.S. can remain competitive.
- Reducing the current CRP cap and allowing some of the whole farm tracts to be bid back into active production will allow the U.S. to respond to today's growing demand. We think it would make some sense to ease some of the acres back into production prior to the mass expiration of program acres in 2007 and 2008, to allow a smoother transition and to extend it over more than two years.
- Conservation needs to be a priority going into the future, but there are other ways of accomplishing conservation without idling resources that can contribute to higher income and economic performance.

In the interest of supporting local rural communities, we would also urge Congress to revisit the rule that no more than 25% of available land in a county be enrolled in the program. Because of measurement error or other mistakes in policy implementation, the effective acreage cap is much higher than 25% in a number of counties. While the number of counties in the U.S. that rely heavily on a production agriculture economy has been reduced in the last two decades, there are rural communities that remain highly dependent on an active agricultural sector to drive the local economy. In a recent policy conference, one USDA economist defined a county dependent on agriculture as one with a "lack of success in all other business enterprises." The way we shape policy needs to reflect this reality where it exists. Our policies need to be chosen very carefully so we don't take away the lifeblood of communities that are still closely tied to production agriculture.

Thank you for consideration of our views and we look forward to working with you and your subcommittee as this important issue continues to play a major role in agricultural economics.

Sincerely,


Kendell Keith, President
National Grain and Feed Association


Gary C. Martin, President and CEO
North American Export Grain Association

cc: The Honorable Tim Holden, Ranking Member

Appendix

I. Letter from Grain Merchandiser in Lind Washington

May 25, 2004

Kendell W. Keith, President

National Grain & Feed Association

kkeith@ngfa.org

Dear Kendell:

Concerning the impact that the CRP Program has had on local economies: All any person would have to do is drive around Lind, Washington for 10 minutes to see the detrimental impact that CRP can have on a community. Half the stores in downtown are closed. A significant number of houses are abandoned. In the immediate vicinity it looks like half the farm ground is idle. Our grain elevator at the Main Office in Lind does not come close to filling up at harvest. We have to truck wheat in from other stations to utilize the storage capacity.

In truth about 200,000 acres in our service area are in CRP. Since it most likely would be dryland summer fallow that amounts to 100,000 acres per year of lost production. At 40 bushels per acre that totals 4,000,000 bushels. 4,000,000 bu that is not harvested, not stored, not fertilized and not farmed. The farm families needed to farm the 4,000,000 bushels are gone. The people needed to service the equipment are gone. The people needed to handle and market the grain are gone.

As a result of the loss of population, the non-agricultural businesses also are impacted. That's why half of downtown is gone. That's why the businesses that remain are struggling. That's why the local schools have lost 40% of their enrollment and have to partner up with neighboring schools in order the its students to participate in after school activities. That's why the crime rate is higher. And that's why the quality of life is worse.

Sincerely,

Pearson Burke

Grain Merchandiser

Union Elevator & Warehouse Co.

II. Letter from Grain Elevator Manager in Lind, Washington

Dear Kendell:

I believe that our area would be a good example of how devastating the CRP has been to our rural economy.

Our service area covers most of Adams County in Washington State. Although Adams County has 25% of its acreage in CRP, closer to 1/3 of the acres in our service area are now out of production. Adams County has the most acres of any county in the nation in CRP, over 200,000. Within our

service area are two small farm communities. If we look at the changes that have taken place in just the last 10 years since the full effect of CRP has taken hold, it is obvious that CRP has literally destroyed both of these communities. In Lind, where our office is located, the population of the town has dropped nearly 30%. School enrollment has dropped 40%. Businesses that have closed include one of the two farm equipment dealerships, the drugstore, a tavern, a bank, an insurance office, and a hardware store with the remaining one in the process of a close-out sale. Those few businesses still operating are, without exceptions, barely hanging on. In Washtucna, where we have a grain receiving station, the main street, which once was home to a grocery store, drug store, hardware store, and a barbershop is completely empty! The school has 1/2 of the enrollment it had just a dozen years ago. It is our belief that CRP is the only reason that these communities have seen such a total downward spiral. Less acres to farm means less equipment to sell, less money circulating to purchase goods locally, less people to support not only the local economy but to contribute to local programs and activities that are the lifeblood of small communities. What CRP has done to these small towns should not be a surprise to anyone. It was predicted by many once it was known that whole farms would be eligible for CRP enrollment. Our company lost 1/3 of our customers after the first few rounds of CRP enrollment in the early 90's. Our survival has been dependent on enlarging our service area into the irrigated farmland, storing grain for the CCC, and by reducing expenses in any way possible without comprising customer service. The double whammy of losing customers due to CRP and loss of grain storage income because of CCC's liquidation of some of their stocks is not what we would consider equitable and responsible policies from our government. Our own government has done more to hurt rural economies and small town existence than anything else anyone could imagine. We would invite anyone, including those who conducted the USDA's Economic Research Report, to visit our area to see first person what CRP has done to our way of life. Our communities will never recover from the damage done by CRP. To conclude that CRP has not had a long-term impact on jobs, the local economy and local services is not only ludicrous, it puts the validity of the entire report by the USDA's Economic Research Service in question. It would be interesting to know if any of the people conducting this study actually visited any of the areas with the highest CRP acres in person.

Randy Roth
 Manager
 Union Elevator and Warehouse Co.
 Lind, Washington

(Note: Adams County, Washington has 215,000 acres in the CRP. Total harvested cropland is 413,000 (1997 Census of Ag. Total cropland is 808,000.)

III. Information on CRP Program in Ellis County, Oklahoma

In Ellis County, Oklahoma, 63,000 acres are enrolled in the CRP. Current plantings of crops in Ellis County is 97,386 acres. Total cropland (Census of Ag, 1997) is 193,836. Since 1988 Ellis County has lost 23 local businesses, mostly in the town of Shattuck.

IV. Information on CRP Program in Harmon County, Oklahoma

(From Altus, Oklahoma Paper: "Harmon County Population Loss Leads Oklahoma")

"The Hollis High School choir no longer sings, and the driver's education program has hit a dead end. The retiring elementary school principal was not replaced.

"The schools in Harmon County just don't have enough students to support those programs anymore. The district's cuts illustrate what happens in rural counties as their population dwindles.

"Harmon County lost people at a faster rate than any other Oklahoma county between July 2002 and July 2003, the U.S. Census Bureau said Thursday in releasing its latest population estimates.....

"It's part of a nationwide trend of people moving from rural to urban areas," said Amy Polonchek, director of research and policy at the Oklahoma Department of Commerce.....

"There's no jobs, whatsoever," Smith said. "That's pure and simple economics. They go to the larger towns where there are more opportunities."

(Note: Total CRP contract acres in Harmon County: 51,000 acres. Total harvested cropland in the county: 84,000 acres.)

V. Letter from Elevator Co-operative Elevator Manager in Moscow, ID

January 20, 2004

(to) National Grain and Feed Association (NGFA)
attn: Randy Gordon

Dear Randy:

The purpose of this letter is to notify NGFA that we will no longer be able to be a member (of the Association) starting in 2004. As I told you in my letter last February, the economic situation with our Company continues to erode. The Board of Directors and I are working toward a merger or sale of the Company within this calendar year. Most likely, it will be a merger with another cooperative.

The \$600 minimum dues bill is not a "make or break" expense on its own. But, I am under the directive of the Board of Directors to make sweeping reductions across the board. NGFA has, and will continue to, provide value to the grain industry. I have no doubt about that. This cancellation is not based on the value the Association provides.

USDA's CRP program is a major reason for the downfall of our Company. Over 45,000 acres in our service area is now in CRP and probably will be for the foreseeable future. The impact to our Company as a result of this program is approximately \$600,000 annually in lost income. A mini-drought in 2002 and a major drought in 2003 reduced our income on the acres that are still in production. The winter wheat looks really good at this time, and with decent spring and early summer weather, maybe we will do better this year. That remains to be seen.

In closing I want to tell you that I have appreciated the work you and others in the NGFA have done for all of us over the years. I wish the Association good fortune in the future. Please share this letter with Kendell and Todd. Thank you!

Sincerely yours,

Dave Strong
Manager
Latah County Grain Growers, Inc.
Moscow, Idaho

VI. Letter from Red River Valley and Western Railroad Company

May 25, 2004

Dear Mr. Keith:

The Red River Valley & Western Railroad Company (RRV&W) is a 500-mile short line Railroad headquartered in Wahpeton, North Dakota. Our small railroad provides rail service to approximately 60 customers in some of the most rural and agricultural regions of North Dakota. Many of these rural areas have high concentrations of agricultural lands enrolled in the Conservation Reserve Program. These rural areas have lost their rail service due in part to the removal of large volumes of grain from the grain marketing system. Two branch lines have been abandoned in central North Dakota, right in the midst of some of the highest concentrations of CRP in North Dakota. While many factors have undoubtedly contributed to abandonment of these branch lines, loss of these grain volumes is a significant contributor.

Many businesses and the jobs they support are dependent on the volumes of grain produced and moved through the marketing chain. With the advent of the CRP program, and especially in areas with higher proportions of participant acres, the jobs formerly generated by the seed dealers, fertilizer dealers, grain elevators, and other businesses are lost.

The Red River Valley & Western Railroad supports the position of the National Grain and Feed Association in reducing the number of acres in the CRP program through early exit, and an overall change in the use of the CRP program to concentrate on the most environmentally sensitive areas. The RRV&W asks that this be a part of the record with NGFA's presentation before the USDA.

Sincerely,

Dan Zink
Red River Valley & Western Railroad Company

Written Statement
of
Lawrence Elworth
Center for Agricultural Partnerships
to the
House Agriculture Committee
Subcommittee on Conservation, Credit, Rural Development and Research
Hearing
June 15, 2004
Regarding
Implementation of the Conservation Title
of the
Farm Security and Rural Investment Act of 2002

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to provide this written statement on the implementation of the conservation provisions in Farm Security and Rural Investment Act of 2002 (Farm Bill). My statement focuses on the Environmental Quality Incentives Program (EQIP) and the unique challenges facing specialty crop producer participation in the program.

INTRODUCTION

The Center for Agricultural Partnerships (CAP) is a 501(c)(3) nonprofit organization whose mission is to create programs for solving agricultural problems that help farmers adopt more environmentally sound and profitable practices. Since its inception in 1996, CAP has worked with more than 70 organizations and companies in seven states to help farmers use more effective farming practices on more than 150,000 acres. Since 2002, CAP has worked with partners in Michigan, California, and North Carolina to increase growers' knowledge and ability to use EQIP and overcome challenges that limit their participation.

Specialty crop producers have unique capabilities, significant opportunities and strong incentives to adopt sound conservation practices. Since specialty crops require intensive management growers are particularly able to apply sophisticated conservation practices in their operations. Practices that protect water quality, conserve water, prevent soil erosion, and conserve wildlife habitat are available for use on a wide scale in specialty crop production. In addition, unique opportunities exist for growers to apply a wide range of pest management practices through the conservation programs that protect air resources, prevent non-target impacts and create healthy ecosystems. Finally specialty crop growers must deal with a formidable array of state and federal regulations such as the Clean Air Act, Endangered Species Act, Clean Water Act, state and federal pesticide laws.

The opportunities for conserving natural resources in specialty crops are as significant as those offered in other sectors of agriculture. However, those opportunities have not materialized for the vast majority of specialty crop growers in the first two years of Farm Bill implementation.

*The use of the terms "specialty crops" or "minor crops" is solely intended to distinguish these crops from traditional program crops, i.e., wheat, corn, soybean, rice, cotton and field grains. It is not intended to imply that these crops are not important – in fact, they account for more than 40% of all crop value in the U.S.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM

Congressional Intent

Benefits from the 2002 Farm Bill to specialty crop producers were an important part of the debate in Congress. One way in which the concerns of members were addressed was the promise that the conservation programs would provide increased opportunities for specialty crop participation. It was assumed that the larger amounts of money that were authorized would allow specialty crop producers to participate in the conservation programs along with other producers. Congress went so far as to add report language to the Farm Bill to spell out its intent for EQIP:

“The Managers are aware of the unique conservation and production practices utilized by specialty crop growers throughout the United States. The Managers expect the USDA to ensure that adequate resources are made available for specialty crop conservation practices under the EQIP. The Managers also expect that, in carrying out the financial assistance provisions of the various conservation programs, the unique production practices involved in fruit and vegetable production are taken into account when drafting and implementing regulations to carry out those programs. In particular, the Managers would direct the Secretary when enrolling a producer who is already undertaking activities related to integrated pest management, make those ongoing activities eligible for financial assistance after the date of enrollment.” (p. 74, Conference Report).

Even with significant interest from Congress and significant opportunities for resource conservation, there is still enormous untapped potential for specialty crop producers to participate in EQIP. The lack of participation stems from the lack of knowledge and working relationships between the Natural Resources Conservation Service (NRCS) and the specialty crop community, the immense demands on NRCS to implement the new Farm bill programs and the way in which NRCS has implemented EQIP.

ISSUES

Lack of knowledge and working relationships

The vast majority of specialty crop growers have had virtually no contact with NRCS or the conservation programs. As a result they have little knowledge of how NRCS operates, few working relationships at the local state or national levels, and thus limited ability to take advantage of the programs. Given that lack of familiarity, the transaction costs seem overwhelming for a grower to initiate the process of applying to the conservation programs.

- Specialty crop producers are unlikely to have had any contact with NRCS programs in the past and have very little knowledge about EQIP, opportunities to participate or what they must do to become acquainted, much less apply to the program. If they are aware of the program they typically find the application process daunting and the benefits remote. Thus applications from specialty crop growers overall have been very limited.

- NRCS and specialty crop producers have had very little interaction over the years. While there are notable exceptions in parts of several states, such as Michigan, California, and North Carolina, NRCS has had limited acquaintance with specialty crop producers, their crops, or production methods.
- NRCS, as a whole, does not have extensive expertise in key technical areas such as pesticides and pest management that are critical to specialty crops or knowledge about the regulatory and environmental issues that have such a large impact on producers
- Most grower groups for specialty crops and the advisors who work with them, *e.g.*, Cooperative Extension and private consultants, also have minimal knowledge about NRCS, EQIP or other conservation programs. Thus the normal routes by which growers would become aware of new opportunities and receive support in using them, are not currently effective in helping them participate in EQIP.
- Specialty crop producers are not widely represented on state and local committees that provide guidance on priorities and program implementation. As a result, issues of importance to specialty crop participation are fully considered.

The net effect of these factors is that using EQIP has been daunting to growers and their organizations. Due to the lack of working relationships and communication between NRCS and the specialty crop community, outreach and knowledge have lagged, while problems have gone undetected and unresolved.

NRCS and Farm Bill implementation

NRCS has faced the daunting task in implementing the Farm Bill provisions. Since passage in May 2002, NRCS has had to promulgate new regulations, roll out new programs, and handle significantly increased dollars for the programs. It has had to accomplish these tasks under tight time frames created by the mid year passage of legislation in 2002 and the late passage of appropriations bills in FY 03. These pressures have limited NRCS in key areas.

Outreach Increasing the participation of specialty crop growers in EQIP requires extensive outreach to familiarize growers with the program and NRCS procedures, enable them to understand the application process and fully comprehend the range of practices that they can use in resource conservation. Outreach is also needed to effectively involve specialty crop producers in state and local committees and to create working relationships with grower groups and others in the grower community.

Program responsiveness In order to increase specialty crop participation it is important to account for unique conservation and production challenges in the implementation of EQIP. Many of the problems that growers encounter, such as low incentive payment rates, have been created inadvertently or without complete information. Increasing grower access to EQIP will require the resources and attention to accurately identify problems and work with NRCS to resolve them.

Implementation of EQIP

While there are numerous variations among states in the precise ways that they administer EQIP - for example, some states rank applications at the county level, whereas others rank them at the state level – these basic issues are of important to specialty crop producers in all states.

Eligibility

On a number of occasions growers have been discouraged by NRCS staff from applying to EQIP for incentive payments to carry out integrated pest management (IPM) if they have done IPM in the past. This stems from a lack of knowledge among NRCS staff at multiple levels about the number of specific and distinct pest management practices that are available to growers. It has proved to be a major stumbling block for specialty crop participation.

Application process

The application process is particularly daunting for specialty crop producers who are unfamiliar with the programs and procedures. The forms and procedures can be confusing for growers who, since they have not previously participated in farm programs, are not even in the USDA system. Growers are also often unaware of the range of conservation practices available for them to use and may not realize what they need to do in order for their applications to be successful. The time and effort in making an application coupled with unsure prospects for being selected has tended to discourage a sizeable percentage of the relatively few growers who are sufficiently aware of EQIP to consider applying.

Ranking of applications

The ranking of proposals is an important part of the EQIP application process. NRCS has significantly more applications than it has money to spend. Under the new Farm Bill, applications are to be ranked by the level of environmental benefits they provide in meeting national priorities and resource concerns. This has proved problematic for specialty crop producers in several ways:

- The ranking process essentially requires that, in order to successfully apply, growers must address multiple resource concerns. However, as noted, growers are often unfamiliar with the range of practices available – conversely NRCS is often unfamiliar with the unique conservation and production practices for specialty crops. This makes the application process complicated for growers unfamiliar with the program and leads to their applications not being funded if they are not aware of the wider range of practices they might use.
- To the extent that states have gone to a standard statewide ranking sheet and/or ranked all applications at the state rather than the county level, specialty crop producers find it difficult to rank high enough to get their applications approved.
- Geographic priority areas - the key to enrolling specialty crop producers in EQIP under the last Farm Bill, for example in Michigan, was having a geographic priority area. Under the previous Farm bill geographic priority areas were established that allowed

conservationists to focus on unique problems in areas where specialty crops predominated. Under the new legislation the mandate for priority areas was eliminated, leaving specialty crop producers to compete against livestock and major crop producers.

Conservation Planning

- In many states a conservation plan is required for growers to apply. Most specialty crop producers, having never been involved with NRCS programs, do not have a conservation plan. Writing plans for those growers, who have never been involved with NRCS and who have diverse cropping systems is particularly complicated and time consuming. NRCS staff rarely have sufficient time or resources to work with a significant number of new growers.
- Growers or their consultants must absorb the entire cost of the conservation planning process since TSP funds are not available until after the producer's contract is signed. *This is a big hole in the program in many states that dramatically limits the ability of specialty crop producers to participate in EQIP.*

Techniques and payment rates

- Incentive payments in many states are inappropriately low or non-existent for key land management practices such as pest management.
- In many states incentive and cost share are available only for scouting under the 595 pest management standard. Other techniques, such as the use of biological controls, mating disruption, and/or reduced risk pesticides, would create significant environmental benefits. Only a handful of states provide incentive payments rates for those mitigation techniques that would provide significant resource improvements in specialty crop production.

Summary

Although the Farm Bill increased the amount of the program dollars that must go to livestock operation from fifty to sixty per cent nationally, the increased funding still provides greater opportunity for specialty crop producers to participate. EQIP has been used in specialty crops for pest management practices under the 1996 Farm Bill – for the construction of pesticide storage, mixing and loading facilities (cost-share payments) and to support the use of integrated pest management practices (incentive payments).

It is also important to recognize, that there are parts of the country where NRCS and the grower community work well together. In some regions, NRCS staff are well acquainted with the grower community and there are good connections at the state and local levels. Good examples of how the program can work to support IPM in specialty crops exist in specific counties in Michigan (vegetables, cherries), North Carolina (apples), and California. In other regions, there is a willingness at the state or county level to improve working relationships with specialty crops. NRCS deserves a great deal of credit for its effort in those important examples. However, it is the fact that those examples have been so successful while their diffusion has been so limited that makes it critical to increase specialty crop participation.

Overall, despite these good examples, specialty crop producers largely are not participating in or benefiting from the conservation programs in any considerable measure. Many of the reasons for this lack of participation are interrelated. For example, the fact that difficulty in applying to EQIP is very much connected to the historic lack of interaction between NRCS and specialty crop producers. Dealing with these complex issues will require a concerted effort at the state, national and local levels.

Recommendations

There are several things that NRCS can do to help overcome the hurdles for specialty crop producer participation in EQIP. Taking these steps would have immense value to resource conservation and growers and would help create a strong foundation for their participation in other conservation programs such as the Conservation Security Program (CSP).

- Establish a national commitment to working with the specialty crop community through EQIP and other conservation programs.
 - Convene a meeting between the Chief and specialty crop producer groups to create better working relationships
 - Establish a committee of state conservationists and producer groups to identify problems and opportunities for specialty crop participation
 - Create a specific staff responsibility in the Chief's office to oversee interaction with specialty crop producers
 - Communicate to state offices the importance of working effectively with specialty crops
- Provide additional outreach support for states that work with specialty crop producers
- Establish pilot projects in key specialty crop states to create high profile examples for increasing participation that can be duplicated in other states and regions.
- Include participation by specialty crop producers as one of the criteria in performance incentives for states

Conclusion

Although challenges exist for increasing specialty crop use of EQIP, the potential for conservation benefits more than justifies the effort. The experiences of CAP and its partners have shown that these challenges can be overcome through targeted efforts that increase knowledge, create strong working relationships, provide support in the grower community, and make critical changes in program implementation. That experience can be duplicated for growers nationwide, through diligence, strategic use of resources, and the development of strong partnerships with NRCS. The benefits to growers, NRCS and resource conservation from such an effort would be considerable. .



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25 June 2004

The Honorable Frank Lucas, Chairman
 Committee on Agriculture
 Subcommittee on Conservation, Credit, Rural Development and Research
 1301 Longworth House Office Building
 Washington, DC 20515

Dear Chairman Lucas:

On Tuesday 15 June 2004, your Subcommittee held a hearing to discuss Implementation of the Conservation Title of the 2002 Farm Bill. Dave Nomsen, Vice President of Governmental Affairs for Pheasants Forever, offered testimony on behalf of numerous conservation and sportsmen groups regarding the conservation programs most important to wildlife. Due to an oversight, The Wildlife Society was not included in the list of groups represented by Dave Nomsen. Therefore, we would like to take the opportunity to express our support for the testimony presented by Mr. Nomsen.

The Wildlife Society is the organization of professional wildlife biologists and managers dedicated to excellence in wildlife stewardship through science and education. We have long been supportive of the Farm Bill conservation programs that enhance and protect wildlife and habitat on our nation's private lands while contributing to the economic well-being of producers and other landowners. We appreciate the Subcommittee's hard work to pass robust agricultural policy that established and augmented programs including the Conservation Reserve Program, Wetlands Reserve Program, Wildlife Habitat Incentives Program, and Grassland Reserve Program and has resulted in monumental benefits for wildlife conservation. Your continued support is necessary to ensure that the contributions of these programs are recognized and that they are maintained or increased in the future.

I would like to highlight three issues of particular interest to The Wildlife Society. First, we are concerned that confusion over funding for technical assistance to state level NRCS staff, coupled with complications in implementing the Technical Service Provider program, is eroding conservation and restoration activities on private land. Without adequate technical assistance these programs cannot be put on the ground. We encourage you to make full technical assistance funds available for program implementation without acreage reductions or program cuts, and support the Senate budget resolution to make the funds available through the Commodity Credit Corporation.

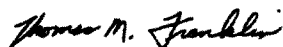
Second, we recommend fully funding the Wildlife Habitat Incentives Program at the authorized level of \$85 million in FY 2005. Despite increasing appropriations for this program since passage of the 2002 Farm Bill, producer demand continues to exceed available funding. This

limited funding results in missed opportunities to target fish and wildlife conservation and address management needs on private lands that are not eligible for cost-share under other USDA programs.

Finally, we are concerned that the Environmental Quality Incentives Program, which has the largest authorized funding cap of any conservation program, has not been implemented in a way that capitalizes on its potential to address wildlife conservation. We recommend that EQIP ranking criteria be structured so that applications that will contribute to habitat restoration for "at-risk species" are prioritized for funding, at least to a level coequal to other (e.g. soil, water, air) resource concerns.

Thank you for considering the views of wildlife professionals as you discuss the current and future role of conservation in agricultural policy. Dave Nomsen's testimony, supported by The Wildlife Society, made a strong case for maintaining and expanding the scope of several programs integral to the long-term health of our country's resources. We are prepared to assist the Subcommittee in making that case as well. Please include these comments in the official hearing record.

Sincerely,



Thomas M. Franklin
Wildlife Policy Director

STATEMENT OF TIM GIESEKE, THE MINNESOTA PROJECT

Thank you for this opportunity to submit written testimony for your hearing today reviewing implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002. The Minnesota Project is a non-profit organization that has worked for 25 years to promote sustainability of rural communities and the environment. We support the Conservation Security Program as a new approach to farm policy.

Creating a new era in farm bill Conservation Policy is a Herculean effort and the Conservation Security Program is no exception. Chief Knight and the NRCS staff have worked extensively to develop a program that can be delivered to America's farmers and, at times, has utilized feedback from the nation's concerned citizens and agricultural producers. Chief Knight has also promoted a new structure internal to the NRCS for all USDA conservation activities to occur.

Under this new structure, farmers will be encouraged to take more responsibility for their operational needs through self-assessment tools. Farmers will be encouraged to develop resource solutions through cost-effective management activities rather than through more costly structural practices. The USDA will look toward outcome-based benefits rather than through the number of practices installed. The USDA will incorporate Technical Service Providers support to accomplish much of the conservation technical needs for farmers previously provided through governmental agency staff. The process of delivering a conservation package to the land, based on the farmers' needs, will be revolutionized with these changes.

The tremendous shortcoming of this Conservation Security Program as it is being administered is demonstrated by what these conservation packages will contain, to whom it gets delivered to and the expected benefits to the American taxpayer.

Fortunately, some progress in defining an equitable and effective conservation package has been made since the May 4, 2004 Federal Register Notice. Particularly important was the removal of the Soil Tillage Intensity Rating that arbitrarily denoted no-till farming operations as the highest conservation category a producer could achieve. Unfortunately much information related to category enrollment criteria, stewardship practices and stewardship activities remain unpublished and unavailable for additional public feedback.

However this conservation package is ultimately defined, its delivery plan fails in its ability to address our concerns. It is understood that a potential revolutionary program such as the CSP needs a ramp-up period along with its steep learning curve. But to continue to use the watershed selection process on an eight-year cycle removes most of the potential eligible producers from participating. Developing a process with the purpose of encouraging a social movement in conservation is as important as understanding the technical needs of the producers. The proposed process and goals used in determining priority watersheds do not generate a critical mass of participation.

The CSP means many different activities to the agricultural and urban communities. Because of this, it has generated more widespread support than any other conservation program. The urban communities expect more natural landscapes, the outdoorsmen expect more productive hunting and fishing grounds, the coastal residents and fisher people expect solutions for marine hypoxia, and agricultural producers expect a fair and equitable program.

The CSP, as proposed in the Interim Final Rule, short changes the conservation-minded agricultural producers and comes up short on the expectations of the American taxpayer.

